

03-9
July 2003

An Audit

Universal Service Fund

Public Service Commission

2003-2004 Joint Legislative Audit Committee Members

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State Auditor - Janice Mueller

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July 30, 2003

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

As requested by the Public Service Commission (PSC), we have completed a financial audit of the Universal Service Fund, which was established to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. Our audit report contains our unqualified opinion on the Fund's financial statements and related notes for the fiscal years ending June 30, 2002 and 2001.

The Universal Service Fund is funded through assessments on telecommunications providers, which totaled \$22.3 million in fiscal year (FY) 2001-02. The largest program supported by the Fund is the Educational Telecommunications Access Program, which has been administered by the Technology for Educational Achievement (TEACH) Board. During FY 2001-02, \$11.7 million, or 61.9 percent of total fund expenditures and transfers, was spent on this program, including subsidies for data lines and video links for schools, libraries, and others.

Most other programs supported by the Fund are operated by the PSC. Expenditures for these programs had historically been significantly less than annual program budgets. In response, in 2001 Wisconsin Act 16 the Legislature limited the amount of assessments to support the PSC-operated programs to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05. However, the level of expenditures and encumbrances in the PSC-operated programs increased during FY 2000-01 and FY 2001-02 and is relatively close to these limits on future assessment levels.

As a result of legislative action, the Universal Service Fund was required to lapse \$3,979,000 to the General Fund during the 2001-03 biennium. Subsequent to the transfers, the Fund had a balance of approximately \$4.8 million as of June 30, 2003.

We appreciate the courtesy and cooperation extended to us by the staff at the PSC, TEACH, and the Fund's administrator, Williams Young, LLC, during the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller
State Auditor

JM/DA/ss

Report Highlights ■

The Fund supports Internet access in schools and libraries.

PSC-operated programs increase telecommunications access.

Almost \$4 million was lapsed to the General Fund during the 2001-03 biennium.

Several provisions in the 2003-05 Biennial Budget Act affect the Fund.

The Universal Service Fund was established under 1993 Wisconsin Act 496 to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. The Fund supports telecommunications services and access programs that are provided by several state agencies, including the Public Service Commission (PSC), the Technology for Educational Achievement (TEACH) Board, the University of Wisconsin System, and the Department of Public Instruction. It is funded through assessments paid by telecommunications providers, which totaled \$22.3 million in fiscal year (FY) 2001-02.

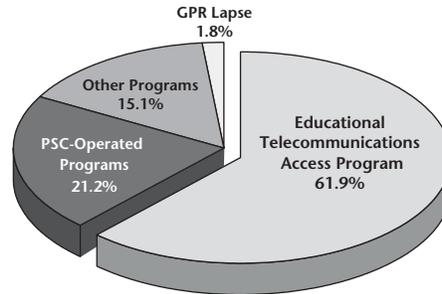
At the request of the PSC, we completed a financial audit of the Universal Service Fund. Our audit report contains our unqualified opinion on the Fund's financial statements and related notes for the fiscal years ending June 30, 2002 and 2001.

Educational Telecommunications Access Program

The largest program supported by the Universal Service Fund is the Educational Telecommunications Access Program, which subsidizes new and existing data lines and video links to public and private K-12 schools, colleges, public libraries, and others. The program has been operated by the TEACH Board. In FY 2001-02, Educational Telecommunications Access Program expenditures were \$11.7 million. As shown in Figure 1, they represented 61.9 percent of the Universal Service Fund's total expenditures and transfers.

Figure 1

FY 2001-02 Expenditures and Transfers



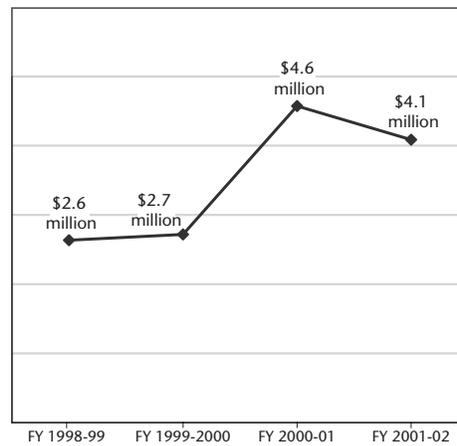
PSC-Operated Programs

Eight other programs supported by the Universal Service Fund help people with disabilities acquire special telecommunications equipment, lessen the financial effect of rate increases on users, and serve low-income individuals. These programs are operated by the PSC.

Until recently, the PSC-operated programs spent significantly less than their budgets. However, with the addition, expansion, and promotion of these programs, expenditures for their operation and administration have increased, as shown in Figure 2.

Figure 2

Expenditures for PSC-Operated Programs



During FY 2001-02, expenditures for PSC-operated programs included:

- \$1.6 million for the Telecommunications Equipment Purchase Program, which provides financial assistance to help persons with disabilities in acquiring special telecommunications equipment;
- \$1.5 million for the Lifeline and Link-up America programs, which provide support for low-income individuals to establish and receive basic telephone services;
- \$275,000 for the Medical Telecommunications Equipment Program, which awards grants on a competitive basis to nonprofit medical clinics or public health agencies for the purchase of medical telecommunications equipment;
- \$235,000 for the Access Program or Project by Nonprofit Groups program, which provides grants to nonprofit groups for programs or projects that facilitate affordable access to telecommunications and information services;
- \$130,000 for the Public Interest Pay Telephone Program, which ensures that pay telephones remain or are installed at locations where there is a public need;
- \$101,000 for the Rate Ceiling Credit Program, which lessens the financial effects of rapid rate increases on users;
- \$850 for the Two-Line Voice Carryover Program, which provides a second telephone line for hearing-impaired customers for teletype service; and
- \$200,000 for administrative expenses.

Under limits established in 2001 Wisconsin Act 16, the 2001-03 Biennial Budget Act, the assessments that fund these programs have been reduced to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05 and each year thereafter.

Lapses to the General Fund

In response to projected budget deficits for the 2001-03 biennium, several bills were enacted that required state agencies to lapse funds to the General Fund. As shown in Figure 3, a total of \$340,000 was lapsed from the Universal Service Fund in FY 2001-02, and \$3,639,000 was lapsed in FY 2002-03.

Figure 3

Required Lapses to the General Fund		
Act	FY 2001-02	FY 2002-03
2001 Act 16	\$200,000	\$ 200,000
2001 Act 109	140,000	200,000
2003 Act 1	0	3,239,000
Total	\$340,000	\$3,639,000

First, the 2001-03 Biennial Budget Act required the Department of Administration (DOA) to recommend lapses from various agencies to the General Fund totaling \$18.8 million each year in both FY 2001-02 and FY 2002-03. DOA's recommendations included lapses of \$200,000 from the Universal Service Fund in both years. Second, 2001 Wisconsin Act 109 required the Fund to lapse another \$340,000 to the General Fund: \$140,000 in FY 2001-02, and \$200,000 in FY 2002-03. Finally, subsequent budget adjustment legislation, 2003 Wisconsin Act 1, required the Universal Service Fund to lapse another \$3,239,000 during FY 2002-03. Following these lapses, the Universal Service Fund had a balance of approximately \$4.8 million as of June 30, 2003.

New Budget Provisions

Under 2003 Wisconsin Act 33, the 2003-05 Biennial Budget Act, the TEACH Board is eliminated and administration of the Educational Telecommunications Access Program is moved to DOA.

Other Universal Service Fund–related provisions in the 2003-05 Biennial Budget Act include:

- shifting \$4.2 million of public school library aid payments from general purpose revenue (GPR) funding to the Universal Service Fund for the 2003-05 biennium and allowing the PSC to assess telecommunications providers for the library aid payments; and
- specifying that public museums are eligible for the Educational Telecommunications Access Program.

■ ■ ■ ■

Introduction ■

Although the PSC is responsible for the overall policies and procedures related to the Universal Service Fund, it is directed by statute to contract with a private firm to administer the Fund. The PSC has contracted with Williams Young, LLC, a public accounting firm, for administrative services.

We completed a financial audit of the Universal Service Fund to fulfill the agency's audit requirements under s. 196.218(2)(d), Wis. Stats. As necessary parts of the financial audit, we reviewed controls over telecommunications provider assessments and expenditures of the programs financed through the Fund, and we assessed the fair presentation of the Fund's financial statements for FYs 2001-02 and 2000-01.

Most programs supported by the Universal Service Fund are operated by the PSC.

Descriptions, expenditures, and budget information for each of the programs supported by the Universal Service Fund are provided in the appendix. Most of the programs supported by the Universal Service Fund are operated by the PSC. However, in recent years the Legislature has made the Fund available to support programs operated by other state agencies that help provide telecommunications access to educational entities and that provide statewide Internet access to reference information. The largest of these programs is the Educational Telecommunications Access Program, which has been operated by the TEACH Board. In addition, during FY 2001-02, the Universal Service Fund provided:

- \$1.1 million for four University of Wisconsin campuses to receive voice, data, and video services through BadgerNet, the State's voice, data, and video telecommunications infrastructure;
- \$1.7 million for contracts with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink, which is administered by the Department of Public Instruction; and
- \$68,500 for a contract with the National Federation of the Blind for *Newsline*, an electronic information service that provides dial-up access to audio versions of major national and regional newspapers for blind or visually impaired individuals.

Public Service Commission Programs

The PSC was authorized by 1993 Wisconsin Act 496 to promulgate, by administrative rule, universal telecommunications service programs to be funded from the Universal Service Fund. The PSC was also authorized to appoint the Universal Service Fund Council to advise it on the creation and implementation of these PSC programs. The Council consists of representatives of telecommunications providers and consumers. Statutes require that a majority of its members be representatives of telecommunications consumers.

The Legislature capped the amount of future assessments that can be collected to support PSC-operated programs.

In May 1996, the PSC first promulgated rules that formally established the programs it operates. For the first several years, and as reported in prior audit reports, the PSC-operated programs were not fully developed and expenditures were significantly less than budgeted. In response, in 2001 Wisconsin Act 16 the Legislature limited the amount that telecommunications providers could be assessed to support the PSC-operated programs to \$5.0 million in FY 2003-04 and \$6.0 million in FY 2004-05.

Expenditures for PSC-operated programs increased 68.2 percent in FY 2000-01 but decreased 10.6 percent in FY 2001-02.

However, with the addition, expansion, and promotion of programs, expenditures for PSC-operated programs and administration increased during FY 2000-01 and FY 2001-02. As shown in Table 1, expenditures increased by approximately \$1.9 million, or 68.2 percent, from FY 1999-2000 to FY 2000-01. Taking into account outstanding encumbrances of \$1.2 million as of June 30, 2001, and \$1.6 million as of June 30, 2002, the level of expenditures and encumbrances for FY 2000-01 and FY 2001-02 are relatively close to the limit on assessment levels effective in FY 2003-04.

Table 1
Expenditures for PSC-Operated Programs

Period	Program Expenditures ¹	Administrative/Other Expenditures	Total
CY 1996	\$ 2,689,973	\$ 79,676	\$ 2,769,649
CY 1997	2,792,777	134,833	2,927,610
January 1 to June 30, 1998 ²	1,263,530	89,976	1,353,506
FY 1998-99	2,473,577	159,899	2,633,476
FY 1999-2000	2,531,942	185,015	2,716,957
FY 2000-01	4,272,261	298,915	4,571,176
FY 2001-02	3,897,785	187,885	4,085,670
Total	\$19,921,845	\$1,136,199	\$21,058,044

¹ Includes \$303,500 of transfers to the General Fund for the *Newsline* program, which are funded by PSC assessments.

² Prior to FY 1997-98, the Universal Service Fund's financial activity was reported on a calendar year basis. Beginning January 1, 1998, the Universal Service Fund was reported on the state fiscal year basis, requiring a six-month transition to the new accounting period.

The decrease of \$0.5 million, or 10.6 percent, in FY 2001-02 is largely associated with a decrease in expenditures for the Rate Ceiling Credit Program. Those expenditures decreased when the number of individuals eligible for the Rate Ceiling Credit Program declined in response to changes in the calculation of the credit. Customers receive credits when telecommunications rates exceed specified levels that are based on median household income. Fewer customers were eligible for this rate assistance program because updated median household income information based on the 2000 census and lower actual long-distance costs resulted in lower telecommunications costs as a percentage of household income.

Educational Telecommunications Access Program

***In FY 2001-02,
\$11.7 million was
spent for the TEACH-
administered Educational
Telecommunications
Access Program.***

The TEACH-administered Educational Telecommunications Access Program provides subsidized access to new data lines for direct Internet access, as well as two-way interactive video links that also allow participants to view and respond to instructional presentations from off-site locations. Eligible entities, which include public and private K-12 schools; private, tribal, and state technical

colleges; public libraries; correctional facilities; and the Wisconsin School for the Deaf and the Wisconsin Center for the Blind and Visually Impaired, are charged a maximum of either \$100 or \$250 per month, depending on the speed of their Internet data line or video link. As shown in Table 2, \$11.7 million was spent on the Educational Telecommunications Access Program in FY 2001-02, which is an 11.7 percent increase from FY 2000-01.

Table 2

Educational Telecommunications Access Program Expenditures

Period	Expenditures
FY 1998-99	\$12,232,143
FY 1999-2000	8,750,186
FY 2000-01	10,480,498
FY 2001-02	11,704,793
Total	\$43,167,620

The program pays for equipment, for installation costs of the data lines and video links, and for ongoing costs in excess of the monthly charges paid by the eligible institutions. The actual access to a data line or video link is provided by telecommunications providers under contract with DOA. The telecommunications services are part of the State's voice, data, and video network known as BadgerNet. The State leases the network from the Wisconsin BadgerNet Access Alliance (WBAA), which is a consortium of private telephone companies and other telecommunications firms led by SBC (formerly Ameritech, Inc.). In 1998, DOA signed three contracts with WBAA, one each for voice, data, and video services. The TEACH Board has financed its video link costs through the State's master lease program; its outstanding master lease obligation as of June 30, 2002, was \$19.0 million, which will be reduced by semi-annual payments from the Universal Service Fund through 2006.

The State's contracts for video links and data lines will expire in 2005.

The Wisconsin Educational Network Collaboration Committee was formed by TEACH to address expiration of the WBAA contract for video services in 2005. This committee assessed current and future educational technology needs and evaluated the State's options. It concluded that extending the current contract would not meet Wisconsin's educational and training needs and recommended procuring a network that would better meet the needs of educational, governmental, and business entities. The Department of Electronic Government had been leading the development of specifications for a new distance education network that would meet the needs identified by the committee. The plan is to award the new contract in 2004. The WBAA data lines contract also will expire in 2005. However, the contract provides for annual renewal options. The data lines contract is likely to be renewed, with the possibility of data lines services eventually being migrated to the new distance education network.

In addition to subsidizing new data lines and video links, the Educational Telecommunications Access Program also provides grants for data lines and video links that were in existence on or before October 14, 1997. Entities that receive funding for existing contracts may not also receive support for new data lines or video links. The existing contract grants component of the Educational Telecommunications Access Program, which was originally scheduled to sunset June 30, 2002, was extended through December 31, 2005, by the Legislature in 2001 Wisconsin Act 16.

Subsidies and grants have been provided for 834 new and existing data lines and video links statewide.

As of June 30, 2002, TEACH has provided subsidies for 192 new video links and 540 new data lines under the Educational Telecommunications Access Program. In addition, TEACH has provided grants for 100 video links and 2 data lines that were in existence as of October 14, 1997.

In addition to funding from the Universal Service Fund, we note that federal funding is also available for telecommunications access services through the federal E-rate program. The E-rate program consists of discounts applied to telecommunications services such as basic and long-distance telephone services, Internet access, and equipment to provide internal telecommunications connections. As a purchaser of telecommunications services, the TEACH Board has applied for and received the federal E-rate funds on behalf of school districts and libraries with TEACH-provided video links and data lines. In 2001 Wisconsin Act 16, the Legislature specified that E-rate funds would be expended for TEACH block grants, and this would offset GPR for the program. A total of \$6.8 million in E-rate funds was expended for TEACH block grants over the 2001-03 biennium.

Audit Opinion ■

Independent Auditor's Report on the Financial Statements of the State of Wisconsin Universal Service Fund

We have audited the accompanying financial statements of the State of Wisconsin Universal Service Fund as of and for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of the management of the Universal Service Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2A, the financial statements referred to in the first paragraph present only the Universal Service Fund and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Universal Service Fund as of June 30, 2002 and 2001, and the results of its operations and changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Universal Service Fund. The supplementary information included as Management's Discussion and Analysis on pages 17 through 20 and as Schedule 1 on pages 31 and 32 is presented for purposes of additional analysis and is not a required part of the financial statements referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2003, on our consideration of the Universal Service Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

July 18, 2003

LEGISLATIVE AUDIT BUREAU

by 
Diann Allsen
Audit Director

Management's Discussion and Analysis ■

Prepared by Public Service Commission Management and the Technology for Educational Achievement Board

Management's Discussion and Analysis (MD&A) is prepared by the Public Service Commission (PSC) management and is a new element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34. Its purpose is to provide general information on the financial activities of the Universal Service Fund (USF). The MD&A should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of PSC management.

The PSC is an independent regulatory agency of the State of Wisconsin. The agency is responsible for the regulation of Wisconsin public utilities, including electric, natural gas, telephone, water, and combined water and sewer facilities. The PSC receives its authority and responsibilities from the State Legislature. One of the PSC's responsibilities is to administer the USF. The USF was established to further the goal of providing a basic set of essential telecommunications services and access to advanced service capabilities to all customers of the state.

OVERVIEW OF THE FINANCIAL STATEMENTS

The USF is accounted for as a special revenue fund, which is a governmental fund. As a governmental fund, USF uses the flow of current financial resources measurement focus and the modified accrual basis of accounting. The financial

statements provide a detailed short-term view of USF's finances that assists in determining whether there will be adequate resources available to meet the current needs of the Fund. USF's financial statements include two statements:

- The *Balance Sheet* presents only assets expected to be used and liabilities that come due during the year or soon thereafter. The difference between assets and liabilities is reported as fund balance.
- The *Statement of Revenues, Expenditures, and Changes in Fund Balance* presents a comparison of revenues for which cash is received during or soon after the end of the year; expenditures for which payment is due during the year or soon thereafter; and other financing sources and uses, such as transfers to the General Fund. The net of these categories increases or decreases the fund balance.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

NOTEWORTHY FINANCIAL ACTIVITY

Condensed financial statements for the USF for the fiscal years ended June 30, 2002 and 2001, are shown in the following table:

Universal Service Fund Condensed Financial Information

	<u>FY 2001-02</u>	<u>FY 2000-01</u>	<u>Percentage Change</u>
Total Assets	\$13,554,215	\$8,884,095	53%
Total Liabilities	<u>3,394,139</u>	<u>2,427,338</u>	40
Fund Balance	10,160,076	6,456,757	
Total Revenues	22,610,170	20,186,221	12
Total Expenditures	<u>18,498,351</u>	<u>17,653,941</u>	5
Excess of Revenues over Expenditures	4,111,819	2,532,280	
Transfers to State of Wisconsin General Fund	<u>408,500</u>	<u>45,500</u>	798
Excess of Revenues over Expenditures and Transfers to General Fund	\$ 3,703,319	\$2,486,780	49

Most of the revenues are the assessments to telecommunications providers as required by statute and rule. The budget appropriation is used as the basis for assessing the providers over a 12-month period, resulting in revenues that totaled over \$22 million in FY 2001-02 for the entire Fund. Of the \$22 million, 75 percent is intended for the three programs for which the PSC bills and collects assessments but does not manage (Educational Telecommunications Access, BadgerLink, and UW BadgerNet Access). The remaining 25 percent of the revenues is for operation of the PSC USF programs. The 12 percent increase in total revenues reflects the increase in appropriations that was authorized in the USF budget for FY 2001-02.

About 40 percent of the increase in Excess of Revenues over Expenditures, from \$2.5 million to \$4.1 million, is attributable to the PSC USF programs. This increase is driven by changes in a few of the PSC USF programs that resulted in expenditures being lower than anticipated. For the Rate Ceiling Credit program, expenditures dropped from \$607,683 in FY 2000-01 to \$101,428 in FY 2001-02. While the initial PSC budget for this program was \$896,500, that budget was established prior to program changes that reduced the number of customers eligible for rate credits. Fewer customers were eligible for this rate assistance program in FY 2001-02 because of two variables that are part of the calculation to determine rate credits for this program. The first is that data from the 2000 census became available to use for determining the county median household income level for 1999. As expected, income levels were significantly higher than the levels from 1989. Second, the Commission determined that a lower average per minute long-distance toll rate should be used in the calculation for determining high rate assistance credits. Both these changes in variables resulted in lower telecommunication costs as a percentage of household income and resulted in fewer customers being eligible for the rate credit program.

While the two grant programs, the Medical Telecommunications Equipment Program and the Access Program or Project by Nonprofit Groups, had FY 2001-02 expenditures of \$275,419 and \$234,578, respectively, in reality the PSC awarded \$500,000 in grants to each of these programs. PSC encumbered these dollars, but some of the expenditures relating to these programs will not be recognized until after the close of FY 2001-02.

The increase in Public Interest Pay Phone expenditures from \$32,212 in FY 2000-01 to \$129,501 in FY 2001-02 reflects growth and a full year of expenditures in a program that was just beginning in FY 2000-01. In addition, the administrative costs for this program were included in the program's budget line rather than in general administrative expenses. However, the amount budgeted for the program was \$155,000, so expenditures still lagged slightly behind the amount projected to be spent.

Lifeline expenditures of \$837,686 for FY 2001-02 were significantly less than the amount budgeted, \$1,750,000, and slightly less than the expenditures in the previous fiscal year, \$942,714. Expenditures for this program may increase in future years because Link-up program expenditures increased from \$585,482 in FY 2000-01 to

\$614,016 in FY 2001-02 and were only slightly below the FY 2001-02 budgeted amount of \$705,000. Link-up is the program that waives local connection charges and enables low-income customers to enroll in the Lifeline program.

The remaining portion of the increase in excess of revenues over expenditures is associated with the TEACH-administered Educational Telecommunications Access Program. Assessments for the TEACH program were \$2,057,879 greater than expenditures for the program, which is mainly due to fewer data lines being in service during FY 2001-02 than originally projected, and \$1.1 million in encumbrances for which the expenditures were not recognized until FY 2002-03. However, the expenditures for the Educational Telecommunications Access Program did increase by almost 12 percent, from \$10,480,498 in FY 2000-01 to \$11,704,793 in FY 2001-02. The increase in expenditures is attributed to an increase in the number of educational agencies served by the Educational Telecommunications Access Program. The number of data lines in service increased by 54 between FY 2000-01 and FY 2001-02. Further, the monthly costs to TEACH for all data lines increased 10 percent, from \$704 per month to \$775 per month. TEACH also installed 31 new video links during FY 2001-02.

An additional disposition of USF funds that occurred for the first time consisted of lapses to the State of Wisconsin General Fund. 2001 Wisconsin Acts 16 and 109 required the PSC to transfer \$340,000 to the state General Fund in FY 2001-02 and \$400,000 in FY 2002-03 for general budget purposes. In addition, 2003 Wisconsin Act 1 required the PSC to transfer \$3,239,000 from the USF to the General Fund in FY 2002-03. A total of \$3,639,000 was transferred to the General Fund in FY 2002-03, which included \$2,539,000 from TEACH and \$1,100,00 from the PSC USF.

This financial report is designed to provide an overview of the USF's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Public Service Commission of Wisconsin in care of the Universal Services Manager, P.O. Box 7854, Madison, WI 53707-7854.

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Universal Service Fund
Balance Sheet
 June 30, 2002 and 2001

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Assets		
Cash and Cash Equivalents (Note 2C)	\$ 11,998,734	\$ 7,402,768
Assessments Receivable	1,544,481	1,434,970
Educational Telecommunications Access Program Receivable	0	26,257
Other Receivables	11,000	11,100
Prepaid Items	<u>0</u>	<u>9,000</u>
Total Assets	<u><u>\$ 13,554,215</u></u>	<u><u>\$ 8,884,095</u></u>
Liabilities and Fund Balance		
Liabilities		
Program liabilities:		
Educational Telecommunications Access Program	\$ 1,388,200	\$ 754,798
University of Wisconsin BadgerNet Access	1,054,800	875,188
Lifeline Program	223,272	221,470
Telecommunications Equipment Purchase Program	204,569	93,871
Link-up America Program	153,173	130,839
Access Program or Project by Nonprofit Groups	119,700	7,691
Medical Telecommunications Equipment Program	46,800	154,335
Public Interest Pay Telephone Program	30,123	5,624
Rate Ceiling Credit Program	3,251	18,116
Two-line Voice Carryover Program	13	0
Institutional Discount Program	0	72,603
Accounts payable	30,238	92,803
Due to General Fund (Note 4)	<u>140,000</u>	<u>0</u>
Total Liabilities	<u>3,394,139</u>	<u>2,427,338</u>
Fund Balance		
Reserved for encumbrances (Note 6)	2,773,770	2,374,803
Reserved for prepaid items	0	9,000
Unreserved	<u>7,386,306</u>	<u>4,072,954</u>
Total Fund Balance	<u>10,160,076</u>	<u>6,456,757</u>
Total Liabilities and Fund Balance	<u><u>\$ 13,554,215</u></u>	<u><u>\$ 8,884,095</u></u>

The accompanying notes are an integral part of this statement.

Universal Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
for the Years Ended June 30, 2002 and 2001

Revenues	Year Ended June 30, 2002	Year Ended June 30, 2001
Telecommunications Providers Assessments (Note 2D) for:		
Educational Telecommunications Access Program	\$ 13,762,672	\$ 10,325,484
Public Service Commission programs	5,569,846	6,790,216
BadgerLink Program	1,922,393	1,612,054
University of Wisconsin BadgerNet Access	1,053,612	867,559
Total Telecommunications Providers Assessments	\$ 22,308,523	\$ 19,595,313
Interest Income	225,359	407,630
Other Revenue	76,288	183,278
Total Revenues	22,610,170	20,186,221
Expenditures		
Program Expenditures:		
Educational Telecommunications Access Program	11,704,793	10,480,498
BadgerLink Program	1,721,588	1,692,767
Telecommunications Equipment Purchase Program	1,635,805	1,616,067
University of Wisconsin BadgerNet Access	1,054,800	955,000
Lifeline Program	837,686	942,714
Link-up America Program	614,016	585,482
Medical Telecommunications Equipment Program	275,419	357,359
Access Program or Project by Nonprofit Groups	234,578	88,422
Public Interest Pay Telephone Program	129,501	32,212
Rate Ceiling Credit Program	101,428	607,683
Two-line Voice Carryover Program	852	0
Institutional Discount Program	0	(3,178)
Total Program Expenditures	18,310,466	17,355,026
Administrative Expenditures	200,164	233,308
Other Expenditures and Adjustments	(12,279)	65,607
Total Expenditures	18,498,351	17,653,941
Excess of Revenues over Expenditures	4,111,819	2,532,280
Other Financing Uses		
Transfer to the State of Wisconsin General Fund (Note 4)	408,500	45,500
Excess of Revenues over Expenditures and Other Financing Uses	3,703,319	2,486,780
Fund Balance		
Fund Balance, Beginning of Year	6,456,757	3,969,977
Fund Balance, End of Year	\$ 10,160,076	\$ 6,456,757

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements ■

1. DESCRIPTION OF THE UNIVERSAL SERVICE FUND

The Wisconsin Public Service Commission (PSC) established the State of Wisconsin Universal Service Fund, as directed by 1993 Wisconsin Act 496, to ensure that all residents of Wisconsin receive essential telecommunications services and have access to advanced telecommunications service capabilities. Act 496 directed the PSC to create and appoint the members of the Universal Service Fund Council, the majority of whom are to be representatives of consumers of telecommunications services, to advise the PSC concerning the administration of the Fund. Act 496 also directed the PSC to contract with a private firm to administer the Fund. The PSC has contracted with Williams Young, LLC, an accounting firm, for these services.

The Universal Service Fund is established as a trust fund in s. 25.95, Wis. Stats. As allowed by statute, the PSC requires telecommunications providers to contribute to the Universal Service Fund in amounts sufficient to support the Fund's programs and operations. The Fund supports funding for telecommunications services and access provided through several state agencies, including the PSC, the Technology for Educational Achievement (TEACH) Board, the University of Wisconsin (UW) System, and the Department of Public Instruction (DPI).

A description of each of the programs under which the Universal Service Fund incurred expenditures during FYs 2001-02 and 2000-01 follows:

A. Educational Telecommunications Access Program

This program, which has been administered by the TEACH Board, was implemented in February 1998 to provide educational entities with subsidized access to new data lines for direct Internet access and video links, which also provide for two-way interactive video that allows participants to view and respond to instructional presentations from off-site locations. In addition, the program provides grants for data lines and video links in existence prior to or on October 14, 1997.

B. BadgerLink

Beginning in FY 1999-2000, the Universal Service Fund pays for contracts with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink, which is a program administered by DPI to provide access to information resources using existing telecommunications networks and Internet connections.

C. Telecommunications Equipment Purchase Program

This program, which was implemented in May 1996, assists persons with disabilities in acquiring special telecommunications equipment. Six categories of disabilities qualify for the program: hard of hearing, deaf, speech impaired, mobility/motion impaired, deaf and low vision, and deaf and blind. For each disability, the PSC has established a maximum dollar amount that the Universal Service Fund will pay toward the purchase of special telecommunications equipment. Participants in this program are required to contribute \$100 toward the cost of the special equipment, plus any amount in excess of the maximum amount that the Fund will pay, although beginning in May 2000 hard of hearing participants are not required to contribute \$100. The Fund issues vouchers to approved eligible disabled persons, who present them to vendors when equipment is purchased. Vendors subsequently submit the vouchers to the Fund administrator for payment.

D. University of Wisconsin BadgerNet Access

BadgerNet is the State's telecommunications infrastructure of voice, data, and video networks and communication services provided by the Department of Administration to Wisconsin state agencies, local governments, UW campuses, technical colleges, public and private schools, and other eligible users. Beginning in FY 1997-98, the Legislature appropriated funds from the Universal Service Fund to provide BadgerNet access for UW-River Falls, UW-Stout, UW-Superior, and UW-Whitewater in a manner equivalent to the access provided through other funding sources for the other nine four-year campuses.

E. Lifeline and Link-up America Programs

These are separate but similar programs that were implemented in June 1997, with retroactive assistance to May 1996. Certain low-income individuals are eligible to participate in these programs. The Lifeline Program is based on a maximum rate of \$15 per month for certain basic services consisting of single-party residential touch-tone service, including "911" emergency service. When the actual approved rate for these services exceeds \$15 per month, low-income customers may receive support for the difference. The Link-up America Program provides a waiver of certain regulated service charges when low-income residential customers initiate or move telephone service. For both of these programs, telecommunications providers establish eligibility and request reimbursement from the Fund for its share of these costs.

F. Rate Ceiling Credit Program

This program was implemented in May 1996 to lessen the financial effects of rapid increases in approved telecommunications rates charged to users. Under the program, telecommunications providers issue credits to residential customers when the telecommunications rates approved by the PSC exceed certain levels that are based on the median household income level for which the rates apply. Monthly, the Universal Service Fund reimburses telecommunications providers the value of the credits issued.

G. Medical Telecommunications Equipment Program

This program, which was implemented in FY 2000-01, provides grants to nonprofit medical clinics and public health agencies to purchase medical telecommunications equipment that will promote technologically advanced medical services or will enhance access to medical care.

H. Access Program or Project by Nonprofit Groups

This program, which was implemented in FY 2000-01, provides grants to nonprofit groups for partial funding of programs or projects that will facilitate affordable access to telecommunications and information services.

I. Public Interest Pay Telephone Program

This program, which was implemented in FY 2000-01, provides funding to ensure that pay telephones remain or are installed at locations where there is a public need, even though revenues generated by use of the telephones are not sufficient to have providers willing to maintain or install these telephones.

J. Two-line Voice Carryover

This program, which was implemented in FY 2001-02, provides a second telephone line to hearing-impaired customers using teletype service.

K. Institutional Discount Program

This program, which was implemented in May 1996, is designed to enable qualified institutions, such as public libraries, nonprofit schools, and nonprofit hospitals, to receive discounted rates for new specialized telecommunications services, including direct Internet access, high-speed data transfer capability, two-way interactive video, and toll call access to the Internet. The institutions are reimbursed 30 percent of their annual service costs their first year in the program, 20 percent in the second year, and 10 percent in the third year, with a cumulative limit of \$7,200. 1999 Wisconsin Act 9 authorized the phasing out and eventual elimination of this program in FY 2001-02 as the result of the similarity and use of the Educational Telecommunications Access Program.

L. *Newsline* Electronic Information Service

Beginning with FY 1997-98, an annual transfer from the Universal Service Fund is made to the State of Wisconsin General Fund to fund a contract between DPI and the National Federation of the Blind to provide the *Newsline* electronic information service that provides dial-up access to audio versions of major national newspapers for sight-impaired individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Basis of Presentation**

The Universal Service Fund's financial statements have been prepared in conformity with generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB). The Universal Service Fund is a special revenue fund of the State of Wisconsin. These statements present the financial position and results of operations of only the activity of the Fund, and are not intended to present the financial activity for the State of Wisconsin as a whole.

B. Basis of Accounting

The Universal Service Fund is accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The operating statement presents revenues and expenditures that result in changes in net available financial resources.

The Fund is accounted for on the modified accrual basis of accounting, which recognizes revenues when they become measurable and available to pay current reporting period liabilities. Revenues are considered to be available if received within one year after the fiscal year-end. Expenditures and related liabilities are recognized when obligations are incurred, with the exception that payments on master lease obligations are recorded as expenditures when due.

C. Cash and Cash Equivalents

Cash and cash equivalents reported on the balance sheet include a demand deposit account at a commercial financial institution and cash deposited with the State Treasurer, where available balances beyond immediate needs are pooled in the State Investment Fund for short-term investment purposes. Balances pooled are restricted to legally stipulated investments valued consistent with GASB Statement No. 31, *Accounting and Financial Reporting for Investments and for External Investment Pools*.

D. Telecommunications Providers Assessments

Annually, the PSC estimates the amount of revenues needed to pay for the year's program and administrative costs. The PSC then assesses telecommunications providers their share of these costs based on intrastate revenues. Those telecommunications providers with intrastate gross telecommunications revenues of less than \$200,000 annually are exempt from this assessment. Telecommunications providers pay one-twelfth of the assessed amount each month. The Universal Service Fund recognizes telecommunications providers assessments when due. Unpaid assessments as of June 30 are reported on the balance sheet as assessments receivable.

3. DEPOSITS

The Universal Service Fund's administrator uses a bank account at a commercial financial institution to process payments under the telecommunications programs established by the PSC. Payments from this bank account are funded by periodic transfers from the State's bank account. For the Fund's bank account, the financial statements include cash in the bank, plus cash in transit to or from the bank. As of June 30, 2002, the amount of the bank account balance was \$1,545. As of June 30, 2001, the amount of the bank account balance was \$70,200. The Federal Deposit Insurance Corporation insures the Fund's deposits for losses up to \$100,000. Therefore, all of the Fund's cash deposits in the bank account as of June 30, 2002, and June 30, 2001, were insured and are categorized as risk category 1 in accordance with GASB Statement No. 3.

Cash deposited with the State of Wisconsin Treasurer is invested in the State Investment Fund (SIF), which is a short-term pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its

Board of Trustees. The carrying amount of shares in the SIF, which is presented at fair value, was \$11,802,000 as of June 30, 2002, and \$7,388,000 as of June 30, 2001. Holdings of the SIF include certificates of deposit and investments consisting primarily of direct obligations of the federal government and the State, and unsecured notes of qualifying financial and industrial issuers. Shares in the SIF are not required to be categorized under GASB Statement No. 3. The SIF is not registered with the Securities and Exchange Commission.

4. TRANSFERS TO THE GENERAL FUND

An annual transfer from the Universal Service Fund is made to the State of Wisconsin General Fund appropriation created under s. 20.255(1)(ke), Wis. Stats., to fund a contract between DPI and the National Federation of the Blind for the *Newsline* electronic information service that provides dial-up access to audio versions of major national newspapers for blind and visually impaired individuals. \$68,500 was transferred in FY 2001-02 and \$45,500 was transferred in FY 2000-01.

In addition, the Universal Service Fund was required to lapse \$340,000 to the State of Wisconsin General Fund in FY 2001-02. 2001 Wisconsin Act 16 required a \$200,000 lapse and 2001 Wisconsin Act 109 required a \$140,000 lapse.

5. MASTER LEASE COMMITMENTS

The TEACH Board has financed subsidized video link costs and data line costs using the State’s master lease program. The Universal Service Fund’s expenditures for the program include master lease payments of \$5.0 million during FY 2001-02 and \$5.9 million during FY 2000-01, which included \$1.0 million and \$1.2 million for interest, respectively. The outstanding balance on the master lease for the Educational Telecommunications Access Program as of June 30, 2002, was \$19.0 million. The following presents the future lease payments as of June 30, 2002:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Total</u>
2003	\$ 6,249,322
2004	6,108,582
2005	6,108,083
2006	<u>3,020,835</u>
Total future payments	21,486,822
Less: Interest	<u>(2,491,193)</u>
Present value of minimum lease payments	\$18,995,629

6. ENCUMBRANCE RESERVES

The Universal Service Fund is committed to making future payments related to the Educational Telecommunications Access Program, the Telecommunications Equipment Purchase Program, and various other programs.

A. Educational Telecommunications Access Program

As of June 30, 2001, a purchase order was outstanding for the design and construction of three gateways for which \$1,144,000 was encumbered. As of June 30, 2002, the purchase order was still outstanding because of a delay in the installation of the gateways, and the funds remained encumbered. The purchase order was paid during FY 2002-03.

B. Telecommunications Equipment Purchase Program

Valid vouchers that have been issued to disabled persons for the purchase of special telecommunications equipment but have yet to be presented to the Fund for payment are reported as reserved for encumbrances. As of June 30, 2002, and June 30, 2001, the amounts reserved for Telecommunications Equipment Purchase Program encumbrances were \$829,900 and \$728,200, respectively.

C. Other Encumbrances

As of June 30, 2002 and June 30, 2001, the following encumbrance balances were outstanding for the various programs in which awards had been made to participants, but the appropriate invoices and supporting documentation had not yet been presented to the Fund for the release of funding to the recipient:

<u>Program</u>	<u>Encumbrances at June 30, 2002</u>	<u>Encumbrances at June 30, 2001</u>
Access Program or Project by Nonprofit Groups	\$423,408	\$270,386
Medical Telecommunications Equipment Program	362,175	139,272
Public Interest Pay Telephone Program	14,287	88,788
Other	0	4,157

7. IMPLEMENTATION OF NEW FINANCIAL REPORTING MODEL

A new financial reporting model was implemented for FY 2001-02, as required by the provisions of GASB Statement Number 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. The primary change associated with the new model for the Universal Service Fund was the addition of management’s discussion and analysis of the financial performance of the Fund.

8. SUBSEQUENT EVENTS

2001 Wisconsin Act 16 limits the amount of assessments on telecommunications providers to support the PSC-operated programs. The PSC may not assess more than \$5.0 million in FY 2003-04, and \$6.0 million in FY 2004-05 and each year thereafter, for PSC-operated programs.

In addition to the FY 2001-02 lapses discussed in Note 4, the Universal Service Fund was required to lapse \$3,639,000 to the State of Wisconsin General Fund in FY 2002-03. A total of \$1,100,000 was lapsed from the PSC-operated programs, and \$2,539,000 was lapsed from the Educational Telecommunications Access Program in April and May 2003.

■ ■ ■ ■

Schedule 1

Universal Service Fund
Budgetary Comparison Schedule
for the Fiscal Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>
Unexpended Budgetary Fund Balance		
Beginning of Year		\$ 5,124,927
Revenues (Inflows)		
Revenues ¹	\$ 22,308,514	<u>22,308,514</u>
Amount Available for Appropriation		27,433,441
Appropriations and Transfers (Outflows)		
Educational Telecommunications Access Program	13,770,400	11,704,793
PSC Programs	6,811,500	4,082,705
BadgerLink Program	1,773,500	1,721,588
University of Wisconsin BadgerNet Access	1,054,800	1,054,800
Transfer to General Fund for <i>Newsline</i> Program	68,500	68,500
Transfers to General Fund for budget lapses	<u>340,000</u>	<u>340,000</u>
Total Appropriations and Transfers	23,818,700	18,972,386
Fund Balance, End of Year		8,461,055
Less Encumbrances Outstanding at June 30,2002		<u>(2,773,770)</u>
Fund Balance, End of Year Budgetary Basis ²		<u><u>\$ 5,687,285</u></u>

¹ While the Universal Service Fund is required to submit estimates of expected revenues, these estimates are not formally incorporated into the adopted budget. As a result, legally budgeted revenues are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedule.

² Subsequent legislation required the Universal Service Fund to lapse \$3,639,000 of this balance to the General Fund in FY 2002-03.

Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedule compares the legally adopted budget (Schedule 1) with actual data on a budgetary basis (modified cash basis of accounting). Because accounting principles applied for purposes of developing data on the budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of basis differences as of June 30, 2002, is presented below:

Fund balance June 30, 2002 (budgetary basis—budgetary fund structure) as reported on the budgetary comparison schedule	\$ 5,687,285
Reclassifications:	
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting (basis difference) ¹	<u>2,773,770</u>
Fund balance June 30, 2002 (GAAP fund structure—budgetary basis, excluding encumbrances treated as expenditures at year end)	8,461,055
Adjustments (basis differences):	
To adjust revenues for fair value adjustments to investments	(19,156)
To adjust revenues for cash deposits not recorded until after year-end	196,746
To accrue assessments and other receivables	1,555,481
To accrue payables	<u>(34,050)</u>
Fund balance June 30, 2002 (GAAP fund structure—GAAP basis) as reported in the financial statements	\$ 10,160,076

¹ Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. Under GAAP reporting, encumbrances outstanding at year-end for purchase orders and contracts expected to be honored in the following year are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

The accompanying notes are an integral part of this statement.

Report on Compliance and Control ■

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the State of Wisconsin Universal Service Fund as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated July 18, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the State of Wisconsin Universal Service Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the State of Wisconsin Universal Service Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This independent auditor's report is intended for the information of the agencies responsible for management of the Universal Service Fund and the various programs it funds, and the Wisconsin Legislature. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

July 18, 2003

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Appendix

Universal Service Fund Programs

Program Name	Description	Year Initiated	Expenditures Through 6/30/02	FY 2002-03 Budget
PSC Programs:				
Rate Ceiling Credit	Provides credits for a portion of local service rates when the rate charged for service exceeds levels set in administrative rule for this program.	1996	\$6,879,892	\$ 430,000
Telecommunications Equipment Purchase	Provides financial assistance to help persons with disabilities in acquiring special telecommunications equipment.	1996	5,145,304	2,000,000
Lifeline	Provides support to low-income individuals for rates in excess of \$15 per month for basic telephone services.	1997	3,037,178	1,500,000
Link-up America	Provides a waiver of certain regulated service charges when low-income residential customers establish or move their telephone service.	1997	1,992,543	800,000
Institutional Discount	Provides qualified institutions, such as public libraries, nonprofit schools, and nonprofit hospitals, with discounted rates for new specialized telecommunications services.	1996	733,897	0
Rate-Shock Mitigation	Provides rate credits for customers to temporarily mitigate the effect of large increases in authorized rates. The PSC specifies the individual rate cases where the credits apply.	1996	711,188	0
Voice Mail for the Homeless	Compensates any voice mail provider that provides voice mail services to a social services agency, a job service agency, or other homeless shelter authority to be used for the benefit of the entity's homeless clients or residents. (The Governor deleted funding for this program as part of his veto provisions of 2001 Act 16, the 2001-03 budget.)	1996	0	0
Provider of Last Resort	Provides compensation to an intraLATA toll service provider in the case where no provider is willing to be the provider of last resort and provide intraLATA toll service within a telephone exchange.	1996	0	0

Program Name	Description	Year Initiated	Expenditures Through 6/30/02	FY 2002-03 Budget
Advanced Telecommunications Services	The PSC may undertake an investigation of the deployment of advanced telecommunications service to Wisconsin customers. Subsequently, the PSC may require the deployment of the services and determine whether the provider requires assistance from the Fund.	1996	\$ 0	\$ 21,500
Access Program or Project by Nonprofit Groups	Provides funding for nonprofit groups that will facilitate the provision of affordable access to telecommunications and information services that are consistent with the uses of the Fund.	2000	323,000	500,000
Medical Telecommunications Equipment	Awards grants on a competitive basis to nonprofit medical clinics and public health agencies for the purchase of telecommunications equipment.	2000	632,778	500,000
Outreach for Low-Income	Provides grants to fund collaborative efforts between community-based organizations and telecommunications providers to increase awareness and participation in the Fund's low-income support programs.	2000	0	250,000
Public Interest Pay Phones	Provides payments from the Fund to pay phone operators where it is determined that the public health, safety, and welfare will be jeopardized without the availability of public pay phone services.	2000	161,713	155,000
Two-Line Voice Carryover	Waives any intrastate nonrecurring charge or monthly rate for a second telephone line used by hearing-impaired customers for teletype service.	2000	852	5,000
Eligible Telecommunications Carrier	Allows for reimbursement of a telecommunications provider in a service area where no other eligible telecommunications carrier is designated.	2000	0	0
Subtotal of PSC Programs			<u>\$19,618,345</u>	<u>\$6,161,500</u>
TEACH Program:				
Educational Telecommunications Access	Provides subsidized access to new data lines for direct Internet access and two-way interactive video links and provides grants for data lines and video link contracts in existence before or on October 14, 1997.	1998	\$43,167,620	\$16,102,700

Program Name	Description	Year Initiated	Expenditures Through 6/30/02	FY 2002-03 Budget
DPI Programs:				
<i>Newsline</i>	Funds a contract with the National Federation of the Blind to provide <i>Newsline</i> electronic information service that provides dial-up access to audio versions of major national newspapers for sight-impaired individuals.	1997	\$ 303,500	\$ 68,500
BadgerLink	Funds a contract with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink, which previously had been supported with federal funding.	1999	4,249,505	1,850,200
UW System Program:				
UW System BadgerNet Access	Provides support to provide BadgerNet access for four UW campuses.	1997	4,654,800	1,054,800
Total of All Programs			\$71,993,770	\$25,237,700