

An Audit

# **Universal Service Fund**

*Public Service Commission*

## **2003-2004 Joint Legislative Audit Committee Members**

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State Auditor - Janice Mueller

Audit Prepared by

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Sherry Oja  
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September 9, 2004

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, 2003 and 2002.

The Universal Service Fund is funded through assessments on telecommunications providers, which totaled \$23.1 million in fiscal year (FY) 2002-03. The largest program supported by the Fund is the Educational Telecommunications Access Program, which is administered by the Department of Administration and subsidizes new and existing data lines and video links to public and private K-12 schools, colleges, public libraries, and others. In FY 2002-03, expenditures for these activities were \$18.0 million, or 61.4 percent of the Universal Service Fund's total expenditures and transfers.

Eight of the 12 programs supported by the Fund are operated by the PSC. As we reported in past audits, expenditures for PSC-operated programs historically had been significantly less than the amounts budgeted. In response, the Legislature in 2001 Wisconsin Act 16 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. The level of expenditures for the PSC-operated programs has been increasing, and in FY 2002-03 it was close to the limit on assessment levels.

As a result of legislative action, the Universal Service Fund was required to lapse nearly \$4.0 million to the General Fund during the 2001-03 biennium. It had an accounting balance of \$4.2 million as of June 30, 2003, which is a 58.8 percent decrease from the \$10.2 million accounting balance as of June 30, 2002.

We appreciate the courtesy and cooperation extended to us by the staff at the PSC, the Department of Administration, and the Fund's administrator, Wipfli Young, during the audit.

Respectfully submitted,

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

Janice Mueller  
State Auditor

JM/DA/ss



## Universal Service Fund Programs ■

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***The Universal Service Fund is funded through assessments paid by telecommunications providers.***

The Universal Service Fund was established in 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 Department of Administration (DOA), the University of Wisconsin System, and the Department of Public Instruction (DPI). It is funded through assessments paid by telecommunications providers, which totaled \$23.1 million in fiscal year (FY) 2002-03.

The PSC is responsible for developing the overall policies and procedures related to the Universal Service Fund but is directed by statute to contract with a private firm to administer the Fund. The PSC has contracted with Wipfli Young, a public accounting firm, for administrative services. We have 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 2002-03 and 2001-02.

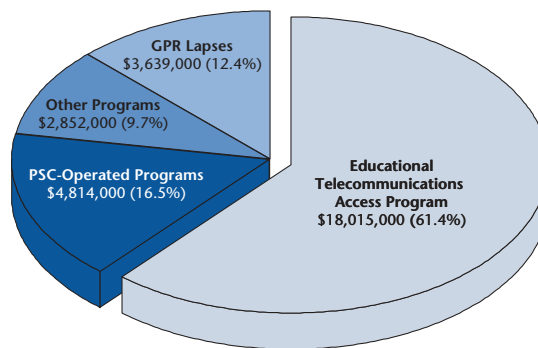
## Programs Funded

***The largest program supported by the Universal Service Fund is the Educational Telecommunications Access Program.***

Eight of the 12 programs supported by the Universal Service Fund are operated by the PSC, with expenditures totaling \$4.8 million during FY 2002-03. However, as shown in Figure 1, 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 was operated by the Technology for Educational Achievement (TEACH) Board through FY 2002-03. Beginning in FY 2003-04, the TEACH Board was eliminated and the program moved to DOA. In FY 2002-03, Educational Telecommunications Access Program expenditures were \$18.0 million, or 61.4 percent of the Universal Service Fund's total expenditures and transfers.

Figure 1

### FY 2002-03 Expenditures and Transfers<sup>1</sup>



<sup>1</sup>Expenditures and transfers totaled \$29.3 million during FY 2002-03.

In addition, during FY 2002-03, the Universal Service Fund also provided \$2.9 million for several other programs, including:

- \$1.0 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;



- \$1.8 million for contracts with vendors that provide statewide access to reference databases of magazines and newspapers through BadgerLink, which is administered by DPI; and
- \$67,500 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.

Finally, the Universal Service Fund was required to lapse \$3.6 million to the General Fund during FY 2002-03. Descriptions, expenditures, and budget information for each of the programs supported by the Universal Service Fund are provided in the appendix.

## 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 a 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 amount of assessments that can be collected to support PSC-operated programs was capped beginning in FY 2003-04.***

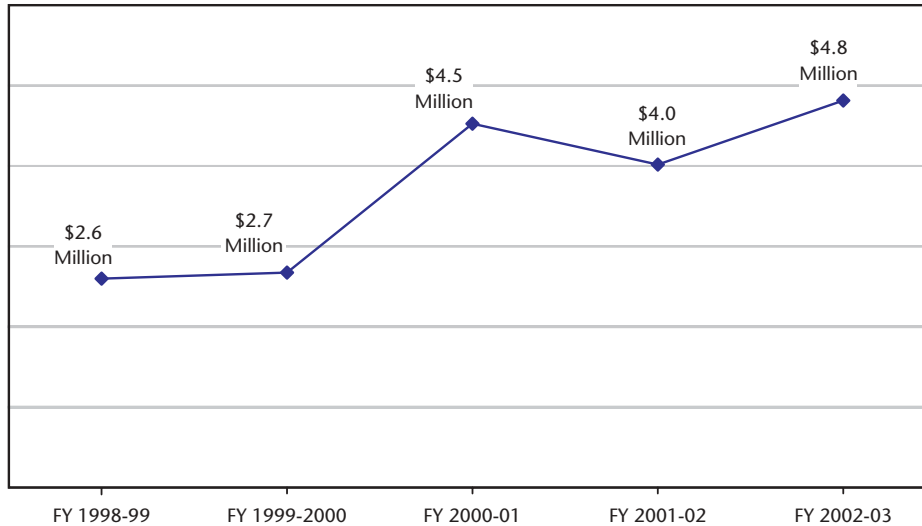
In May 1996, the PSC first promulgated rules that formally established the programs it operates. For the first several years, and as reported in prior audit reports, the PSC-operated programs were not fully developed, and expenditures were significantly less than amounts budgeted. In response, the Legislature in 2001 Wisconsin Act 16 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 were \$4.8 million in FY 2002-03.***

However, with the addition, expansion, and promotion of programs, expenditures for PSC-operated programs and administration have been increasing. As shown in Figure 2, expenditures in FY 2002-03 were \$4.8 million, an increase of 84.6 percent over FY 1998-99 expenditure levels. Taking into account outstanding encumbrances of \$1.6 million as of June 30, 2002, and \$1.1 million as of June 30, 2003, the level of expenditures and encumbrances for FY 2001-02 and FY 2002-03 exceed the limit on assessment levels effective in FY 2003-04.

Figure 2

Expenditures for PSC-Operated Programs



During FY 2002-03, expenditures for PSC-operated programs included:

- \$1.4 million for the Telecommunications Equipment Purchase Program, which provides financial assistance to help persons with disabilities in acquiring special telecommunications equipment;
- \$1.7 million for the Lifeline and Link-Up America programs, which provide support for low-income individuals to establish and receive basic telephone services;
- \$754,000 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;
- \$470,000 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;

- \$191,000 for the Public Interest Pay Telephone Program, which ensures that pay telephones remain or are installed at locations where there is a public need;
- \$4,700 for the Rate Ceiling Credit Program, which lessens the financial effects of rapid rate increases on users;
- \$1,100 for the Two-Line Voice Carryover Program, which provides a second telephone line for hearing-impaired customers for teletype service;
- \$252,000 for administrative expenditures incurred by the PSC; and
- \$51,000 for other expenditures.

### **Educational Telecommunications Access Program**

The 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; the Wisconsin School for the Deaf and the Wisconsin Center for the Blind and Visually Impaired; and, beginning in FY 2003-04, public museums, are charged a maximum of either \$100 or \$250 per month, depending on the speed of their Internet data line or video link.

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, which is a consortium of private telephone companies and other telecommunications firms led by SBC. In 1998, DOA signed three contracts with the BadgerNet Alliance, one each for voice, data, and video services. The Educational Telecommunications Access Program's video link costs and data line costs were financed through the State's master lease program, with semiannual payments due through 2006.

***Expenditures for the Educational Telecommunications Access Program increased 54 percent in FY 2002-03.***

As shown in Table 1, \$18.0 million was spent on the Educational Telecommunications Access Program in FY 2002-03, which is an increase of \$6.3 million, or approximately 54 percent, from FY 2001-02. The increase in expenditures is largely related to \$5.0 million in prepayments to reduce the program’s master lease obligation, which had an outstanding balance of \$14.1 million as of June 30, 2003. In addition, a purchase order for the design and construction of three gateways, for which over \$1.0 million was encumbered in FY 2000-01, was paid in FY 2002-03. The program was able to significantly increase its FY 2002-03 expenditures because its appropriations are biennial, and unused spending authority of \$2.1 million from FY 2001-02 carried over to FY 2002-03.

Table 1

**Educational Telecommunications Access Program Expenditures  
FY 1998-99 through FY 2002-03**

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
FY 2002-03	18,014,975
<b>Total</b>	<b>\$61,182,595</b>

A Wisconsin Educational Network Collaboration Committee was formed to address expiration of the BadgerNet 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 Wisconsin Collaborative Network Initiative Committee, which consists of representatives of state agencies, educational institutions, libraries, and local governments, has been leading the development of specifications for a new distance education network that will meet the needs identified by the Collaboration Committee.

***The State is in the process of procuring a new distance education network.***

In April 2004, DOA, which has responsibility for procurement, issued a request for information from telecommunications companies seeking input on how a new network would be created. In July 2004, DOA sent a solicitation to potential vendors for the bidding process. The plan is to award the new contract in 2004, and to complete the migration to the new network by February 2006. The BadgerNet data lines contract also will expire in 2005. However, the contract provides for annual renewal options. The data lines will need to be renewed in order to allow sufficient time to migrate the existing sites to the new data network service. The video network contract also may need to be extended for some period of time, depending on the migration schedule, which will be determined once the procurement process is completed.

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 866 new and existing data lines and video links statewide.***

As of June 30, 2003, the Educational Telecommunications Access Program has provided subsidies for 221 new video links and 557 new data lines, as well as grants for 87 video links and 1 data line 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, DOA applies for and receives the federal E-rate funds on behalf of school districts and libraries with video links and data lines provided through the Educational Telecommunications Access Program.

In 2001 Wisconsin Act 16, the Legislature specified that E-rate funds would be expended for general purpose revenue (GPR)-funded Educational Technology Block grants, which were block grants distributed to school districts for educational technology expenditures, and this would offset GPR funding for the program during the 2001-03 biennium. A total of \$6.8 million in E-rate funds was expended for the block grants over the 2001-03 biennium. In 2003 Wisconsin Act 33, the Educational Technology Block grant

program was discontinued and for the 2003-05 biennium the Legislature directed that the E-rate funding received by the State offset the GPR-funded debt service costs associated with the Infrastructure Financial Assistance Program, which provided grants and loans to school districts and libraries to upgrade data and electrical wiring needed for high-speed data transmission.

### Lapses to the General Fund

***The Universal Service Fund lapsed almost \$4.0 million to the General Fund during the 2001-03 biennium.***

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 Table 2, 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.

Table 2

#### Required Lapses to the General Fund 2001-03 Biennium

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
<b>Total</b>	<b>\$340,000</b>	<b>\$3,639,000</b>

First, the 2001-03 Biennial Budget Act required DOA to recommend lapses from various agencies totaling \$18.8 million in both FY 2001-02 and FY 2002-03. DOA's recommendations included lapses of \$200,000 from the Universal Service Fund to the General Fund in both years. Second, 2001 Wisconsin Act 109 required the Universal Service Fund to lapse another \$340,000 to the General Fund. Finally, 2003 Wisconsin Act 1 required the Universal Service Fund to lapse an additional \$3,239,000 during FY 2002-03. Following these lapses, the Universal Service Fund had an accounting balance of \$4.2 million as of June 30, 2003, which is a 58.8 percent decrease from the \$10.2 million accounting balance as of June 30, 2002.

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## Audit Opinion ■

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### *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, 2003 and 2002. 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 as of June 30, 2003 and 2002, 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, 2003 and 2002, and the results of its operations and changes in its 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 13 through 16 and as Schedules 1 and 2 on pages 30 and 31 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 September 2, 2004, 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.

September 2, 2004

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director



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# Management's Discussion and Analysis ■

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## *Prepared by Public Service Commission Management*

Management's Discussion and Analysis (MD&A) is prepared by the Public Service Commission management, and 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 are 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 USF for the fiscal years ended June 30, 2003 and 2002, are shown in the following table:

#### Universal Service Fund Condensed Financial Information

	FY 2002-03	FY 2001-02	Percentage Change
Total Assets	\$ 6,063,015	\$13,554,215	-55%
Total Liabilities	1,867,735	3,394,139	-45
<b>Fund Balance</b>	<b><u>\$ 4,195,280</u></b>	<b><u>\$10,160,076</u></b>	-59
Total Revenues	\$23,354,958	\$22,610,170	3
Total Expenditures	25,613,254	18,498,351	38
<b>Excess of Revenues over Expenditures</b>	<b>(2,258,296)</b>	<b>4,111,819</b>	-155
Transfers to the State of Wisconsin General Fund <sup>1</sup>	3,706,500	408,500	807
<b>Excess of Revenues over Expenditures and Transfers to the General Fund</b>	<b><u>(\$ 5,964,796)</u></b>	<b><u>\$ 3,703,319</u></b>	-261

<sup>1</sup> Included in the transfers to the General Fund are cash lapses of \$3,639,000 in FY 2002-03 and \$340,000 in FY 2001-02.

Total revenue of \$23 million for the USF is primarily billed revenue plus interest. The billed revenue is what the PSC assesses telecommunications providers as required by statute and administrative rule. The budget appropriation is used as the basis for assessing the providers over a 12-month period. Of the total revenue, almost 81 percent is revenue intended for the three programs for which the PSC does the billing and collection assessments, but is not involved in the management of the programs (Educational Telecommunications Access Program, BadgerLink, and UW BadgerNet Access). The remaining 19 percent of the revenue is for operation of the PSC USF programs. For FY 2002-03, there was only a slight increase (4 percent) in total assessments.

The increase in expenditures can be attributed to the Educational Telecommunications Access Program, which had a 54 percent increase in FY 2002-03, and the PSC programs, which had a 19 percent increase in expenditures. These expenditure increases resulted in "Excess of Revenues over Expenditures" decreasing from a positive \$4.1 million to a negative \$2.3 million. This decrease was a contributing factor in the 59 percent decrease in fund balance.

The increase in Educational Telecommunications Access Program expenditures from \$11.7 million in FY 2001-02 to \$18.0 million in FY 2002-03 was due, in part, to the program's use of biennial appropriations. Unused spending authority of \$2.1 million from FY 2001-02 carried over to FY 2002-03 and was used to make \$5.0 million in prepayments to the State's master lease program, which had helped finance the costs of video and data links provided under the program.

A few of the PSC USF programs resulted in expenditures being lower than anticipated. For the Rate Ceiling Credit Program, expenditures dropped from \$101,428 in FY 2001-02 to \$4,699 in FY 2002-03. While the initial PSC budget for this program was \$430,000, that budget was established prior to revisions to the county household median income levels used to establish program eligibility. In an order dated December 9, 2003, the PSC updated the county median household income levels by inflating the median income levels from the 2000 census by the average annual growth rate in per capita personal income from 2000 to 2001. The increased median income levels resulted in a reduced number of customers eligible for rate credits.

The Telecommunications Equipment Purchase Program had a slight decrease in expenditures from \$1.6 million in FY 2001-02 to \$1.4 million in FY 2002-03. There is no clear reason why there was a slight decrease, other than normal fluctuations in program activity.

While the two grant programs, Medical Telecommunications Equipment Program and Access Program by Nonprofit Groups, appear to have significant growth in expenditures (FY 2002-03 expenditures of \$754,065 and \$470,112, respectively), in reality the PSC awarded \$500,000 in grants to each of these programs as budgeted. The PSC encumbers funds for these programs in the fiscal year they are awarded, while expenditures may not be realized until a subsequent year.

The increase in Public Interest Pay Phone expenditures from \$129,501 in FY 2001-02 to \$191,108 in FY 2002-03 reflects continued growth of this program. However, the amount budgeted for this program was \$155,000, so expenditures exceeded the amount projected to be spent. Expenditures for individual phones were higher than anticipated for this program. In anticipation of budget restrictions in the next fiscal year, no additional applications for public interest pay phones were accepted beginning in early 2003.

Lifeline expenditures of \$989,734 for FY 2002-03 were less than the \$1,500,000 budgeted, but nonetheless were an increase from the previous fiscal year's expenditures of \$837,686. Expenditures for this program may continue to increase in future years because Link-Up Program expenditures of \$660,980 for FY 2002-03 continue to increase, although not as much as was predicted: the budgeted amount for FY 2002-03 was \$800,000. Link-Up is the program that waives local connection charges and would enable low-income customers to then enroll in the Lifeline Program.

An additional disposition of USF funds that occurred for the second time consisted of cash lapse transfers made to the State of Wisconsin General Fund. 2001 Wisconsin Acts 16 and 109 and 2003 Wisconsin Act 1 required the PSC to transfer a total of \$3,639,000 to the State's General Fund for general budget purposes, which included \$2,539,000 from the Educational Telecommunications Access Program and \$1,100,000 from PSC-operated programs. These transfers significantly reduced the fund balance at the end of FY 2002-03. The increase in expenditures for USF programs plus a transfer of USF funds to the General Fund resulted in a 59 percent decrease in fund balance, from \$10,160,076 at the end of FY 2001-02 to \$4,195,280 at the end of FY 2002-03.

This financial report is designed to provide an overview of USF 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 Service Fund Manager, P.O. Box 7854, Madison, WI 53707-7854.

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## **Financial Statements ■**

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Universal Service Fund

**Balance Sheet**  
**June 30, 2003 and 2002**

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
<b>ASSETS</b>		
Cash and Cash Equivalents (Note 3)	\$ 4,487,516	\$ 11,998,734
Assessments Receivable	1,575,499	1,544,481
Other Receivables	<u>0</u>	<u>11,000</u>
<b>Total Assets</b>	<b><u>\$ 6,063,015</u></b>	<b><u>\$ 13,554,215</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Program liabilities:		
BadgerLink Program	\$ 539,700	\$ 0
Educational Telecommunications Access Program	476,623	1,388,200
Medical Telecommunications Equipment Program	291,542	46,800
Lifeline Program	235,154	223,272
Link-Up America Program	188,608	153,173
Access Program or Project by Nonprofit Groups	83,997	119,700
Public Interest Pay Telephone Program	13,651	30,123
Two-Line Voice Carryover Program	253	13
Rate Ceiling Credit Program	33	3,251
University of Wisconsin BadgerNet Access	0	1,054,800
Telecommunications Equipment Purchase Program	0	204,569
Accounts payable	38,174	30,238
Due to the General Fund (Note 4)	<u>0</u>	<u>140,000</u>
<b>Total Liabilities</b>	<b><u>1,867,735</u></b>	<b><u>3,394,139</u></b>
Fund Balance:		
Reserved for encumbrances (Note 6)	1,124,891	2,773,770
Unreserved	<u>3,070,389</u>	<u>7,386,306</u>
<b>Total Fund Balance</b>	<b><u>4,195,280</u></b>	<b><u>10,160,076</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 6,063,015</u></b>	<b><u>\$ 13,554,215</u></b>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
for the Years Ended June 30, 2003 and 2002**

	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
<b>REVENUES</b>		
Telecommunications Providers Assessments (Note 2D) for:		
Educational Telecommunications Access Program	\$ 15,909,308	\$ 13,762,672
Public Service Commission Programs	4,301,508	5,569,846
BadgerLink Program	1,848,656	1,922,393
University of Wisconsin BadgerNet Access	<u>1,052,889</u>	<u>1,053,612</u>
Total Telecommunications Providers Assessments	\$ 23,112,361	\$ 22,308,523
Interest Income	191,897	225,359
Other Revenue	<u>50,700</u>	<u>76,288</u>
<b>Total Revenues</b>	<b><u>23,354,958</u></b>	<b><u>22,610,170</u></b>
<b>EXPENDITURES</b>		
Program Expenditures:		
Educational Telecommunications Access Program	18,014,975	11,704,793
BadgerLink Program	1,832,862	1,721,588
Telecommunications Equipment Purchase Program	1,439,604	1,635,805
Lifeline Program	989,734	837,686
University of Wisconsin BadgerNet Access	951,594	1,054,800
Medical Telecommunications Equipment Program	754,065	275,419
Link-Up America Program	660,980	614,016
Access Program or Project by Nonprofit Groups	470,112	234,578
Public Interest Pay Telephone Program	191,108	129,501
Rate Ceiling Credit Program	4,699	101,428
Two-Line Voice Carryover Program	<u>1,137</u>	<u>852</u>
Total Program Expenditures	25,310,870	18,310,466
Administrative Expenditures	251,627	200,164
Other Expenditures and Adjustments	<u>50,757</u>	<u>(12,279)</u>
<b>Total Expenditures</b>	<b><u>25,613,254</u></b>	<b><u>18,498,351</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(2,258,296)</b>	<b>4,111,819</b>
<b>OTHER FINANCING USES</b>		
Transfer to the State of Wisconsin General Fund (Note 4)	<u>3,706,500</u>	<u>408,500</u>
Excess of Revenues over Expenditures and Other Financing Uses	<u>(5,964,796)</u>	<u>3,703,319</u>
<b>FUND BALANCE</b>		
Fund Balance—Beginning of the Year	<u>10,160,076</u>	<u>6,456,757</u>
Fund Balance—End of the Year	<b><u><u>\$ 4,195,280</u></u></b>	<b><u><u>\$ 10,160,076</u></u></b>

The accompanying notes are an integral part of this statement





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# Notes to the Financial Statements ■

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## 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 Wipfli Young, 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, the Department of Public Instruction (DPI), and the Department of Administration (DOA).

A description of each of the programs under which the Universal Service Fund incurred expenditures during FYs 2002-03 and 2001-02 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. Beginning in FY 2003-04, the TEACH Board was disbanded and the Educational Telecommunications Access Program was transferred to DOA.

**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 DOA 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. *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**

GASB Statement 3 requires deposits with financial institutions be categorized to indicate the level of risk assumed by the State. The risk categories for deposits are: 1) insured or collateralized with securities held by the Universal Service Fund or by its agent in the Universal Service Fund's name; 2) uninsured but collateralized by the financial institution; and 3) uninsured and uncollateralized.

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. The Federal Deposit Insurance Corporation insures the Fund's deposits for losses up to \$100,000. As of June 30, 2003, the amount of the bank account balance was \$143,361. Therefore, \$100,000 was insured and classified in risk category 1; \$43,361 was uninsured and uncollateralized and classified in risk category 3. As of June 30, 2002, the amount of the bank account balance was \$1,545. Therefore, the entire balance was insured and categorized as risk category 1.

Cash deposited with the State of Wisconsin 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 \$3,615,000 as of June 30, 2003, and \$11,802,000 as of June 30, 2002. 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. \$67,500 was transferred in FY 2002-03, and \$68,500 was transferred in FY 2001-02.

In addition, the Universal Service Fund was required to make the following lapses to the State of Wisconsin General Fund in FY 2001-02 and FY 2002-03:

	<u>FY 2001-02</u>	<u>FY 2002-03</u>
2001 Act 16	\$200,000	\$ 200,000
2001 Act 109	140,000	200,000
2003 Act 1	<u>0</u>	<u>3,239,000</u>
Total	\$340,000	\$3,639,000

**5. MASTER LEASE COMMITMENTS**

The subsidized video link and data line costs of the Educational Telecommunications Access Program are financed through the State’s master lease program. The Universal Service Fund’s expenditures for the program include master lease payments of \$11.3 million during FY 2002-03 and \$5.0 million during FY 2001-02, which included \$1.3 million and \$1.0 million for interest, respectively. The outstanding balance on the master lease for the Educational Telecommunications Access Program as of June 30, 2003, was \$14.1 million. The following presents the minimum future lease payments as of June 30, 2003:

<u>Fiscal Year Ended June 30</u>	<u>Total</u>
2004	\$ 5,877,713
2005	6,324,504
2006	<u>3,161,579</u>
Total Future Payments	15,363,796
Less: Interest	<u>(1,295,633)</u>
Present Value of Minimum Lease Payments	\$14,068,163

**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**

In FY 2000-01, \$1,144,000 was encumbered for the design and construction of three gateways. 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, 2003, and June 30, 2002, the amounts reserved for Telecommunications Equipment Purchase Program encumbrances were \$593,400 and \$829,900, respectively.

**C. Other Encumbrances**

As of June 30, 2003, and June 30, 2002, 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, 2003</u>	<u>Encumbrances at June 30, 2002</u>
Access Program or Project by Nonprofit Groups	\$427,156	\$423,408
Medical Telecommunications Equipment Program	104,335	362,175
Public Interest Pay Telephone Program	0	14,287

**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.

2003 Wisconsin Act 33 shifts \$4.2 million of public school library aid payments from GPR funding to the Universal Service Fund for the 2003-05 biennium and allows the PSC to assess telecommunications providers for the library aid payments beginning with FY 2003-04.

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## **Supplementary Information ■**

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## Budgetary Comparison Schedule for the Years Ended June 30, 2003 and 2002

	Year Ended June 30, 2003		Year Ended June 30, 2002	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>AVAILABLE FOR APPROPRIATION</b>				
Unexpended Budgetary Fund Balance				
Beginning of Year <sup>1</sup>		\$ 8,461,055		\$ 5,124,927
Revenues <sup>2</sup>	\$ 22,660,119	<u>22,660,119</u>	\$ 22,308,514	<u>22,308,514</u>
<b>Amount Available for Appropriation</b>		<b>31,121,174</b>		<b>27,433,441</b>
<b>APPROPRIATIONS AND TRANSFERS (OUTFLOWS)</b>				
Educational Telecommunications Access Program <sup>3</sup>	16,102,700	18,014,975	13,770,400	11,704,793
PSC Programs	6,811,500	4,847,815	6,811,500	4,082,705
BadgerLink Program	1,850,200	1,832,862	1,773,500	1,721,588
University of Wisconsin BadgerNet Access	1,054,800	951,594	1,054,800	1,054,800
Transfer to the General Fund for <i>Newsline</i> Program	68,500	67,500	68,500	68,500
Transfers to the General Fund for Budget Lapses <sup>4</sup>	<u>3,639,000</u>	<u>3,639,000</u>	<u>340,000</u>	<u>340,000</u>
<b>Total Appropriations and Transfers</b>	<b>29,526,700</b>	<b>29,353,746</b>	<b>23,818,700</b>	<b>18,972,386</b>
<b>FUND BALANCE</b>				
Fund Balance—End of the Year		1,767,428		8,461,055
Less Encumbrances Outstanding at End of the Year		<u>(1,124,891)</u>		<u>(2,773,770)</u>
<b>Fund Balance—End of the Year</b>				
<b>Budgetary Basis</b>		<u><u>\$ 642,537</u></u>		<u><u>\$ 5,687,285</u></u>

<sup>1</sup> The previous year's ending fund balance with encumbrances is carried forward because the previous year's encumbrances either become expenditures in the next year or continue in the encumbrance line.

<sup>2</sup> Universal Service Fund revenues are not incorporated into the adopted state budget. Revenues are assessed in the amount of estimated expenditures as submitted to the Joint Finance Committee by the Universal Service Fund. As a result, legally budgeted revenues are not available and, consequently, actual amounts are reported in the budget column of the Budgetary Comparison Schedule.

<sup>3</sup> The appropriations for the Educational Telecommunications Access Program are biennial, and unused spending authority of \$2,065,607 from FY 2001-02 carried forward to FY 2002-03. Therefore, the program did not exceed its budgetary authority in FY 2002-03.

<sup>4</sup> Legislation required the Universal Service Fund to lapse fund balance amounts of \$340,000 in FY 2001-02 and \$3,639,000 in FY 2002-03 to the General Fund.

## Budgetary-GAAP Reporting Reconciliation for the Years Ended June 30, 2003 and 2002

The following schedule reconciles the budgetary based fund balance in Schedule 1 with the generally accepted accounting principles (GAAP) based fund balance in the financial statements as of June 30, 2003 and 2002.

	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
Fund Balance (budgetary basis) as reported on the budgetary comparison schedule	\$ 642,537	\$ 5,687,285
Adjustments (basis differences):		
To eliminate the effect of encumbrances that were reported as expenditures under budgetary reporting <sup>1</sup>	1,124,891	2,773,770
To adjust revenues for fair value adjustments to investments <sup>2</sup>	0	(19,156)
To adjust revenues for cash deposits not recorded until after year-end <sup>3</sup>	852,353	196,746
To accrue assessments and other receivables <sup>4</sup>	1,575,499	1,555,481
To accrue payables <sup>5</sup>	<u>0</u>	<u>(34,050)</u>
Fund Balance, end of the year (GAAP basis) as reported in the financial statements	<u>\$ 4,195,280</u>	<u>\$ 10,160,076</u>

<sup>1</sup> 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.

<sup>2</sup> This entry adjusts the GAAP balance for any unrealized gains or losses on investments. Budgetary reporting is on the cash basis. Therefore, gains and losses on investments are not recognized until the investments are liquidated.

<sup>3</sup> Under budgetary reporting, cash recorded in the State's accounting system is reported. However, under GAAP reporting, cash received by the State's bank by June 30, but not yet recorded on the State's accounting system by June 30, is also reported.

<sup>4</sup> Budgetary reporting only recognizes revenues actually received by the State. However, revenues due to the State must also be recorded for GAAP reporting.

<sup>5</sup> This entry adjusts the GAAP fund balance by additional payables that were not yet recorded on the State's accounting system as of June 30, but were obligations of the State as of June 30.



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# Report on Compliance and Control ■

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## *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, 2003 and 2002, and have issued our report thereon dated September 2, 2004. 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.

September 2, 2004

LEGISLATIVE AUDIT BUREAU  
by   
Diann Allsen  
Audit Director

Appendix

**Universal Service Fund Programs**

Program Name	Description	Year Initiated	Expenditures through 6/30/03	FY 2003-04 Budget
<b>PSC Programs:</b>				
Rate Ceiling Credit	Provides credits for a portion of local telephone service rates when the rate charged for service exceeds levels set in administrative rule for this program.	1996	\$6,884,591	\$ 330,000
Telecommunications Equipment Purchase	Provides financial assistance to help persons with disabilities in acquiring special telecommunications equipment.	1996	6,584,908	1,500,000
Lifeline	Provides support to low-income individuals for rates in excess of \$15 per month for basic telephone services.	1997	4,026,912	1,000,000
Link-Up America	Provides a waiver of certain regulated service charges when low-income residential customers establish or move their telephone service.	1997	2,653,523	677,000
Institutional Discount	Provided qualified institutions, such as public libraries, nonprofit schools, and nonprofit hospitals, with discounted rates for new specialized telecommunications services. This program was discontinued in FY 2001-02.	1996	733,897	0
Rate-Shock Mitigation	Provides rate credits for customers to temporarily mitigate the effect of large increases in authorized telephone rates. The PSC specifies the individual rate cases where the credits apply.	1996	711,188	0
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	793,112	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	1,386,843	500,000

Program Name	Description	Year Initiated	Expenditures through 6/30/03	FY 2003-04 Budget
Public Interest Pay Phones	Provides payments from the Fund to pay telephone companies where it is determined that the public health, safety, and welfare will be jeopardized without the availability of public pay phone services.	2000	\$ 352,821	\$ 200,000
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	<u>1,989</u>	<u>3,000</u>
Subtotal of PSC Programs			<u>\$24,129,784</u>	<u>\$4,710,000</u>
<b>TEACH/DOA Program:</b>				
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. This program moved to DOA in FY 2003-04.	1998	61,182,595	16,524,500
<b>DPI Programs:</b>				
<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	371,000	70,000
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	6,082,367	1,886,900
<b>UW System Program:</b>				
UW System BadgerNet Access	Provides support to provide BadgerNet access for four UW campuses.	1997	<u>5,606,394</u>	<u>1,054,800</u>
<b>Total of All Programs</b>			<u><b>\$97,372,140</b></u>	<u><b>\$24,246,200</b></u>