



August 2002

## UNIVERSAL SERVICE FUND

The Universal Service Fund was established in 1993 to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. It supports 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, and it is funded by assessments on telecommunications providers. Providers may recover the costs of these assessments from their customers, although they cannot establish a separate surcharge to do so.

Fiscal year (FY) 2000-01 assessments on telecommunications providers totaled \$19.6 million, and expenditures from the Universal Service Fund totaled \$17.7 million. We audited the Fund's financial statements for FYs 2000-01 and 1999-2000 and have issued an unqualified auditor's opinion.

### **The Fund Supports Internet Access in Schools and Libraries**

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 is operated by the TEACH Board. As of June 30, 2001, it had provided subsidies and grants for 765 data lines and video links.

In FY 2000-01, Telecommunications Access Program expenditures were \$10.5 million, which is 59.4 percent of the Universal Service Fund's total expenditures. Telecommunications Access Program expenditures increased 19.8 percent from FY 1999-2000 levels.

### **Spending for PSC Programs Increased, but All Available Funds Have Not Been Spent**

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. Since the PSC began managing these programs in 1996, expenditures have been significantly less than annual budgeted amounts. For example, in FY 1999-2000 the budget for PSC-operated programs was \$8.0 million, but program expenditures totaled only \$2.7 million.

During FY 2000-01, expenditures for PSC-operated programs increased 69.3 percent over FY 1999-2000 levels because the PSC implemented new programs, modified existing programs, and increased outreach efforts. Nevertheless, FY 2000-01 expenditures and outstanding encumbrances were \$5.8 million, or 16.6 percent less than the PSC's budget of \$6.9 million. In response, the Legislature limited the assessments on telecommunications providers that support PSC-operated programs. As a result of recent legislation, 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.

### **Wireless and Cellular Providers Have Been Excluded from Universal Service Fund Assessments**

In August 2000, the PSC began to assess wireless and cellular providers to support the Universal Service Fund. These providers objected to the assessments and sought to recover their costs by including a surcharge on customers' bills. In response to concerns that the assessments imposed an undue hardship on a developing industry, the Legislature took action that requires wireless and cellular providers to contribute to the Universal Service Fund only if the PSC promulgates rules designating such providers as eligible to receive funding under both federal and state Universal

Service Fund programs. The PSC plans to further consider the issue of wireless and cellular assessments in its biennial review of Universal Service Fund rules.

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[full report, PDF file \(142KB\)](#)