



December 2000

## 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 is funded by assessments paid by telecommunications providers, which totaled \$14.1 million in fiscal year (FY) 1999-2000. 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. Expenditures from the Fund totaled \$13.0 million in FY 1999-2000.

We have audited the Universal Service Fund's financial statements for FYs 1999-2000 and 1998-99. We were able to issue an unqualified auditor's report on the financial statements.

### **Expenditures for PSC-Operated Programs Are Significantly Less Than Budgeted**

The Universal Service Fund programs operated by the PSC help people with disabilities acquire special telecommunications equipment, lessen the financial effect of rate increases on users, and serve low-income individuals. However since 1996, when the PSC began to establish and operate these programs, their expenditures have been significantly less than the \$8.0 million that was budgeted for them annually. In FY 1999-2000, expenditures for the PSC-operated programs totaled only \$2.7 million.

In response to the lower expenditure levels, the assessments for the PSC-related programs were suspended from January 1998 through July 2000. In August 2000, these assessments were reinstated. A number of programmatic changes have also been made to the PSC-operated programs, which likely will change their future funding needs. The PSC has budgeted \$6.9 million to support the Universal Service Fund programs it is operating during FY 2000-01, including \$650,000 for promotion and outreach efforts to increase awareness and use of the programs.

### **Support for Internet Access Represents the Largest Fund Expenditures**

The largest program currently funded by the Universal Service Fund is the Educational Telecommunications Access Program, which is operated by the TEACH Board. During FY 1999-2000, \$8.8 million, which is 67 percent of total fund expenditures, was expended on this program, which provides subsidies and grants for data lines and video links to schools, libraries, and others. As of June 30, 2000, subsidies and grants for 788 data lines and video links had been provided.

In contrast to the PSC-operated programs that have not met spending expectations, the Educational Telecommunications Access Program has required additional expenditure authority. The Governor requested an increase of \$10.5 million from the Universal Service Fund for the program in his 1999-01 biennial budget. To provide more control over the program's expenditures, the Legislature transferred one-half of the proposed funding increase to a reserve. In May 2000, the Legislature's Joint Committee on Finance denied the TEACH Board's request for release of funds from the reserve. Another request for release of funds held in reserve is currently pending. One area of interest to the Committee has been receipt of federal funds for discounts on telecommunications services provided by TEACH

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