



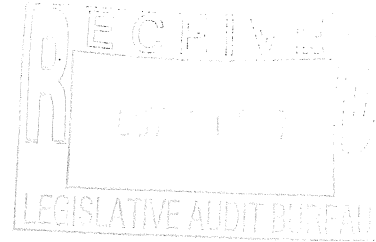
Public Service Commission of Wisconsin

Ellen Nowak, Chairperson
Mike Huebsch, Commissioner
Lon Roberts, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

October 31, 2017

The Honorable Robert Cowles
The Honorable Samantha Kerkman, Co-Chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702



Dear Senator Cowles and Representative Kerkman:

In response to the Legislative Audit Bureau's recent Universal Service Fund (USF) audit (Report 17-11), we are reporting on the efforts of the Public Service Commission (PSC) to implement recommendations related to the USF's fund balance.

Report 17-11 recommended that the PSC establish a policy for a minimum fund balance for the USF prior to setting provider assessment rates in October 2017 and consider the USF's fund balance when setting rates.

2017 Wisconsin Act 59, the 2018-19 Biennial Budget Act, includes a requirement to transfer \$6.0 million from the USF for broadband expansion grants in fiscal year (FY) 2017-18. In addition, it establishes an ongoing annual funding requirement of \$2.0 million for broadband expansion grants. The transfer and ongoing annual funding requirement will significantly reduce the USF fund balance in FY 2017-18 and will cause the fund balance to continue to decrease over time.

Careful planning and monitoring of the fund balance is necessary to ensure that the USF continues to have sufficient funds to meet the \$2.0 million ongoing annual funding requirement. Based on recent discussions with the State Controller's Office, State Budget Office, and our legal counsel, we determined that we would change the assessment process. In October 2017, we based assessment rates on each agency's anticipated funding needs, as opposed to appropriated amounts. This led to a decrease in the FY 2017-18 assessment rate for PSC programs. We will continue to follow this process going forward to ensure that the USF fund balance does not increase over time.

Actual expenditures may exceed anticipated funding needs. Therefore, it would not be prudent to assess for an amount that is less than the anticipated funding needs. This conservative approach will help to ensure that there are not significant unanticipated decreases in the fund balance, which may lead to large increases in assessment rates.

We will monitor the fund balance on an ongoing basis. In addition, we will consider the current fund balance when setting assessment rates each year and adjust our assessment process as

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needed. Special attention will be paid to the assessment process if the fund balance is more than \$10.0 million or less than \$2.0 million.

We appreciate the opportunity to provide you with a summary of the efforts we have taken to address the fund balance recommendations in Report 17-11. We are confident that the changes to the assessment process and our commitment to monitoring the USF fund balance will ensure that:

- Sufficient funds are available to meet the ongoing annual funding requirement;
- The fund balance does not increase over time;
- The fund balance does not decrease by significant unanticipated amounts; and
- Assessment rates do not increase by a significant amount.

Please let us know if you have any questions about our approach. We would be happy to discuss it with you.

Sincerely,



Ellen E. Nowak
Chairperson
Public Service Commission



Sarah Klein
Administrator
Division of Business & Program Management

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cc: Joe Chrisman, State Auditor
Legislative Audit Bureau