

Universal Service Fund
Identification of State USF Recovery Amounts on Customer Bills
(October 2009)

BACKGROUND

- The state Universal Service Fund (USF) exists per Wis. Stat. § 196.218.
- The state USF is administered by the Public Service Commission (PSC).
- The legislature sets USF appropriations, and the PSC determines the assessment rates that are used for billing the providers for their share of the USF. Monies for the USF are obtained by assessments to telecommunications providers based on provider revenues.
- 2009 Wisconsin Act 28 requires the PSC to begin assessing commercial mobile radio service (CMRS) providers for the USF. CMRS providers will see their first USF assessment bill in early October 2009.

The USF supports several programs created by the PSC per Wis. Admin. Code ch. PSC 160. These are frequently referred to as the PSC USF programs. Included in this part of the USF are programs for low-income customers, persons with disabilities, high-rate areas of the state, non-profit organizations, and telemedicine equipment for hospitals and clinics.

The USF is also used to provide support to some legislatively-mandated non-PSC related purposes—specifically for TEACH programs, telecommunications systems for the UW-System, and the DPI BadgerLink, Newsline, library service contracts and aid to public library systems. The only PSC involvement on this part of the USF is to calculate and assess the providers.

The PSC determines the assessment rates that are used for the four different programs. A provider's monthly bill is calculated by multiplying the monthly assessment rates times the provider's annual intrastate revenues as reported in their Annual Report to the PSC. The current monthly assessment rates are as follow:¹

PSC USF Programs	.01570 percent
TEACH	.04218 percent
UW-System	.00281 percent
DPI BadgerLink, Newsline. library service contracts and aid to public library systems	.10265 percent

¹ These are amounts as of October 2009. As USF assessment rates change, the PSC will update this identification of appropriate amounts that can be recovered in rates and identified on bills.

Providers get two bills from the state USF—one for the PSC USF assessment and one for the combined TEACH/UW-System/DPI assessment.

SURCHARGE ON CUSTOMER’S BILLS

When the USF originated, the statutes included a prohibition on providers stating that they “may not establish a surcharge on customers’ bills to collect from customers contributions required” to be paid to the USF. The laws on how providers can recover USF assessments have changed several times since then. Currently it is quite simple—providers can place a surcharge on their bills for collecting revenues for all state USF assessments. The following statutory provision is now in effect for all providers:

196.218(3)(e) A telecommunications provider or other person may establish a surcharge on customers’ bills to collect from customers contributions required under this subsection.

As an alternative to a surcharge, telecommunications utilities that provide local exchange service can adjust rates to recover USF contributions. If a provider adjusts its rates to cover the assessments for USF contributions, it **shall identify** on customer bills the amount of that rate adjustment. The applicable statute is as follows:

196.218(3)(f) Notwithstanding ss. 196.196(1) and (5)(d)2., 196.20(2m), (5) and (6), 196.213 and 196.215, a telecommunications utility that provides local exchange service may make adjustments to local exchange service rates for the purpose of recovering its contributions to the universal service fund required under this subsection. A telecommunications utility that adjusts local exchange service rates for the purpose of recovering such contributions **shall identify** on customer bills a single amount that is the total amount of the adjustment. The public service commission shall provide telecommunications utilities the information necessary to identify such amounts on customer bills. (Emphasis added.)

TYPE OF IDENTIFICATION

Both identification options below are acceptable ways to provide bill information to customers.

Option A:

Local rate: \$14.00

State USF surcharge: \$ 0.60

Option B:

Local rate: \$14.60 *

*Of this amount, \$0.60 covers State USF programs.

CAUTIONS

- Tariff revisions may be required from providers that have an obligation to file tariffs.
- If providers raise rates to recover their USF assessment, they may do so only to the extent that the providers actually have or had raised their rates due to the USF assessment.
- Providers that use a surcharge to recover the USF assessment may only collect enough from its customers to recover their USF assessment.
- Providers should be prepared to document the amounts that rates are or have been adjusted or surcharges have been added and the related amounts identified on customers' bills.
- If the assessments go down, providers (that have previously raised rates to cover earlier assessments) should reduce rates and surcharges accordingly.
- There will be a lack of consistency among providers because some may not have chosen to increase rates to recover these various amounts, while others may have done so. Thus, some companies will have a separately-identified state USF recovery amount and others won't, or the percentages could vary.

BILL INFORMATION FOR PROVIDERS

The statutes also state: "The public service commission shall provide telecommunications utilities the information necessary to identify this amount on the bill."

Letters regarding the revised assessment rates for the PSC USF and the TEACH, UW-System and DPI assessments, along with the October bills, are sent to all providers that will be billed for the USF as of October 2009.

This identification of the revised assessment rates and USF bills satisfies the statutory requirement imposed on the PSC. Providers will have to calculate the appropriate dollar amounts they can recover from their customers.

Providers have the ability, per the provision noted above, to increase rates or surcharge for **100 percent** of the assessment they get from the USF for both PSC USF and TEACH/UW-System/DPI programs. Changes to the rates or surcharge should be made as soon as possible to reflect the new USF assessment rates.

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