

● Section 254, UNIVERSAL SERVICE

(a) PROCEDURES TO REVIEW UNIVERSAL SERVICE REQUIREMENTS-

(1) FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE-

Within one month after the date of enactment of the Telecommunications Act of 1996, the Commission shall institute and refer to a Federal-State Joint Board under section 410(c) a proceeding to recommend changes to any of its regulations in order to implement sections 214(e) and this section, including the definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for completion of such recommendations. In addition to the members of the Joint Board required under section 410(c), one member of such Joint Board shall be a State-appointed utility consumer advocate nominated by a national organization of State utility consumer advocates. The Joint Board shall, after notice and opportunity for public comment, make its recommendations to the Commission 9 months after the date of enactment of the Telecommunications Act of 1996.

UNIVERSAL SERVICE JOINT BOARD	
[Note that its recommendations are due Nov. 8, 1996.]	
FCC	Chairman Reed Hundt Commissioner Andrew Barrett Commissioner Susan Ness
NARUC	Washington UTC Chair Sharon Nelson Missouri PSC Vice Chair Kenneth McClure South Dakota PUC Commissioner Laska Schoenfelder Florida PSC Commissioner Julia Johnson
NASUCA	Missouri Public Counsel Martha Hogerty

(2) COMMISSION ACTION-

The Commission shall initiate a single proceeding to implement the recommendations from the Joint Board required by paragraph (1) and shall complete such proceeding within 15 months after the date of enactment of the Telecommunications Act of 1996. The rules established by such proceeding shall include a definition of the services that are supported by Federal universal service support mechanisms and a specific timetable for implementation. Thereafter, the Commission shall complete any proceeding to implement subsequent recommendations from any Joint Board on universal service within one year after receiving such recommendations.

- Section 254, UNIVERSAL SERVICE (continued)

(b) UNIVERSAL SERVICE PRINCIPLES-

The Joint Board and the Commission shall base policies for the preservation and advancement of universal service on the following principles:

(1) QUALITY AND RATES-

Quality services should be available at just, reasonable, and affordable rates.

(2) ACCESS TO ADVANCED SERVICES-

Access to advanced telecommunications and information services should be provided in all regions of the Nation.

(3) ACCESS IN RURAL AND HIGH COST AREAS-

Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

(4) EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS-

All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.

(5) SPECIFIC AND PREDICTABLE SUPPORT MECHANISMS-

There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

(6) ACCESS TO ADVANCED TELECOMMUNICATIONS SERVICES FOR SCHOOLS, HEALTH CARE, AND LIBRARIES-

Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services as described in subsection (h).

(7) ADDITIONAL PRINCIPLES-

Such other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act.

● Section 254, UNIVERSAL SERVICE (continued)

(c) DEFINITION-

(1) IN GENERAL-

Universal service is an evolving level of telecommunications services that the Commission shall establish periodically under this section, taking into account advances in telecommunications and information technologies and services. The Joint Board in recommending, and the Commission in establishing, the definition of the services that are supported by Federal universal service support mechanisms shall consider the extent to which such telecommunications services--

- (A) are essential to education, public health, or public safety;
- (B) have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers;
- (C) are being deployed in public telecommunications networks by telecommunications carriers; and
- (D) are consistent with the public interest, convenience, and necessity.

(2) ALTERATIONS AND MODIFICATIONS-

The Joint Board may, from time to time, recommend to the Commission modifications in the definition of the services that are supported by Federal universal service support mechanisms.

(3) SPECIAL SERVICES-

In addition to the services included in the definition of universal service under paragraph (1), the Commission may designate additional services for such support mechanisms for schools, libraries, and health care providers for the purposes of subsection (h).

● Section 254, UNIVERSAL SERVICE (continued)

(d) TELECOMMUNICATIONS CARRIER CONTRIBUTION-

Every telecommunications carrier that provides interstate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, to the specific, predictable, and mechanisms established by the Commission to preserve and advance universal service. The Commission may exempt a carrier or class of carriers from this requirement if the carrier's telecommunications activities are limited to such an extent that the level of such carrier's contribution to the preservation and advancement of universal service would be de minimis. Any other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires.

(e) UNIVERSAL SERVICE SUPPORT-

After the date on which Commission regulations implementing this section take effect, only an eligible telecommunications carrier designated under section 214(e) shall be eligible to receive specific Federal universal service support. A carrier that receives such support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Any such support should be explicit and sufficient to achieve the purposes of this section.

Subsection 254 (f) appears to give the state commissions considerable latitude in developing and funding their own universal service program, provided that the state definition of universal service and its funding mechanism take into consideration the principles stated in subsections 254 (b), (c), (d), and (e).

A state commission may adopt its own universal service definitions and funding mechanisms so long as the state's definition of universal service and funding mechanisms are "not inconsistent with" the Federal principles. State funding mechanisms that are competitively neutral with respect to both funding mechanism and distribution of support will almost certainly be allowed.

(f) STATE AUTHORITY-

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such

● Section 254, UNIVERSAL SERVICE (continued)

regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

(g) INTEREXCHANGE AND INTERSTATE SERVICES-

Within 6 months after the date of enactment of the Telecommunications Act of 1996, the Commission shall adopt rules to require that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas shall be no higher than the rates charged by each such provider to its subscribers in urban areas. Such rules shall also require that a provider of interstate interexchange telecommunications services shall provide such services to its subscribers in each State at rates no higher than the rates charged to its subscribers in any other State.

Subsection 254 (h) mandates discounted access to new technologies for schools, rural health-care providers, and libraries, although the amount of the discount has not been determined. Note that a carrier can treat any discounts that it allows for these users to be considered as part of its obligation to support universal service.

(h) TELECOMMUNICATIONS SERVICES FOR CERTAIN PROVIDERS-

(1) IN GENERAL-

(A) HEALTH CARE PROVIDERS FOR RURAL AREAS-

A telecommunications carrier shall, upon receiving a bona fide request, provide telecommunications services which are necessary for the provision of health care services in a State, including instruction relating to such services, to any public or nonprofit health care provider that serves persons who reside in rural areas in that State at rates that are reasonably comparable to rates charged for similar services in urban areas in that State. A telecommunications carrier providing service under this paragraph shall be entitled to have an amount equal to the difference, if any, between the rates for services provided to health care providers for rural areas in a State and the rates for similar services provided to other customers in comparable rural areas in that State treated as a service obligation as a part of its obligation to participate in the mechanisms to preserve and advance universal service.

(B) EDUCATIONAL PROVIDERS AND LIBRARIES-

All telecommunications carriers serving a geographic area shall, upon a bona fide request for any of its services that are within the definition of universal service under

● Section 254, UNIVERSAL SERVICE (continued)

subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the Commission, with respect to interstate services, and the States, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities. A telecommunications carrier providing service under this paragraph shall--

- (i) have an amount equal to the amount of the discount treated as an offset to its obligation to contribute to the mechanisms to preserve and advance universal service, or
- (ii) notwithstanding the provisions of subsection (e) of this section, receive reimbursement utilizing the support mechanisms to preserve and advance universal service.

(2) ADVANCED SERVICES-

The Commission shall establish competitively neutral rules--

- (A) to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and nonprofit elementary and secondary school classrooms, health care providers, and libraries; and
- (B) to define the circumstances under which a telecommunications carrier may be required to connect its network to such public institutional telecommunications users.

(3) TERMS AND CONDITIONS-

Telecommunications services and network capacity provided to a public institutional telecommunications user under this subsection may not be sold, resold, or otherwise transferred by such user in consideration for money or any other thing of value.

(4) ELIGIBILITY OF USERS-

No entity listed in this subsection shall be entitled to preferential rates or treatment as required by this subsection, if such entity operates as a for-profit business, is a school described in paragraph (5)(A) with an endowment of more than \$50,000,000, or is a library not eligible for participation in State-based plans for funds under title III of the Library Services and Construction Act (20 U.S.C. 335c et seq.).

● Section 254, UNIVERSAL SERVICE (continued)

(5) DEFINITIONS-

For purposes of this subsection:

(A) ELEMENTARY AND SECONDARY SCHOOLS-

The term 'elementary and secondary schools' means elementary schools and secondary schools, as defined in paragraphs (14) and (25), respectively, of section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(B) HEALTH CARE PROVIDER-

The term 'health care provider' means--

- (i) post-secondary educational institutions offering health care instruction, teaching hospitals, and medical schools;
- (ii) community health centers or health centers providing health care to migrants;
- (iii) local health departments or agencies;
- (iv) community mental health centers;
- (v) not-for-profit hospitals;
- (vi) rural health clinics; and
- (vii) consortia of health care providers consisting of one or more entities described in clauses (i) through (vi).

(C) PUBLIC INSTITUTIONAL TELECOMMUNICATIONS USER-

The term 'public institutional telecommunications user' means an elementary or secondary school, a library, or a health care provider as those terms are defined in this paragraph.

● Section 254, UNIVERSAL SERVICE (continued)

(i) CONSUMER PROTECTION-

The Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable.

(j) LIFELINE ASSISTANCE-

Nothing in this section shall affect the collection, distribution, or administration of the Lifeline Assistance Program provided for by the Commission under regulations set forth in section 69.117 of title 47, Code of Federal Regulations, and other related sections of such title.

(k) SUBSIDY OF COMPETITIVE SERVICES PROHIBITED-

A telecommunications carrier may not use services that are not competitive to subsidize services that are subject to competition. The Commission, with respect to interstate services, and the States, with respect to intrastate services, shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services

Under Section 102, the state commission has the responsibility of designating one or more carriers as being "eligible telecommunications carriers" (ETC) in an area. ETCs must ubiquitously offer the universal service package, and only ETC can receive universal service support. In a situation such that there are no carrier volunteers to be an ETC for an area, the state commission also has the authority to designate the ETC. The state commission can also impose limits on a carrier's ability to relinquish ETC status.

● Section 102. ELIGIBLE TELECOMMUNICATIONS CARRIERS

(a) IN GENERAL-

Section 214 (47 U.S.C. 214) is amended by adding at the end thereof the following new subsection:

(e) PROVISION OF UNIVERSAL SERVICE-

(1) ELIGIBLE TELECOMMUNICATIONS CARRIERS-

A common carrier designated as an eligible telecommunications carrier under paragraph (2) or (3) shall be eligible to receive universal service support in accordance with section 254 and shall, throughout the service area for which the designation is received--

- (A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and
- (B) advertise the availability of such services and the charges therefor using media of general distribution.

(2) DESIGNATION OF ELIGIBLE TELECOMMUNICATIONS CARRIERS-

A State commission shall upon its own motion or upon request designate a common carrier that meets the requirements of paragraph (1) as an eligible telecommunications carrier for a service area designated by the State commission. Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest

● Section 102. ELIGIBLE TELECOMMUNICATIONS CARRIERS (continued)

(3) DESIGNATION OF ELIGIBLE TELECOMMUNICATIONS CARRIERS FOR UNSERVED AREAS-

If no common carrier will provide the services that are supported by Federal universal service support mechanisms under section 254(c) to an unserved community or any portion thereof that requests such service, the Commission, with respect to interstate services, or a State commission, with respect to intrastate services, shall determine which common carrier or carriers are best able to provide such service to the requesting unserved community or portion thereof and shall order such carrier or carriers to provide such service for that unserved community or portion thereof. Any carrier or carriers ordered to provide such service under this paragraph shall meet the requirements of paragraph (1) and shall be designated as an eligible telecommunications carrier for that community or portion thereof.

(4) RELINQUISHMENT OF UNIVERSAL SERVICE-

A State commission shall permit an eligible telecommunications carrier to relinquish its designation as such a carrier in any area served by more than one eligible telecommunications carrier. An eligible telecommunications carrier that seeks to relinquish its eligible telecommunications carrier designation for an area served by more than one eligible telecommunications carrier shall give advance notice to the State commission of such relinquishment. Prior to permitting a telecommunications carrier designated as an eligible telecommunications carrier to cease providing universal service in an area served by more than one eligible telecommunications carrier, the State commission shall require the remaining eligible telecommunications carrier or carriers to ensure that all customers served by the relinquishing carrier will continue to be served, and shall require sufficient notice to permit the purchase or construction of adequate facilities by any remaining eligible telecommunications carrier. The State commission shall establish a time, not to exceed one year after the State commission approves such relinquishment under this paragraph, within which such purchase or construction shall be completed.

(5) SERVICE AREA DEFINED-

The term 'service area' means a geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms. In the case of an area served by a rural telephone company, 'service area' means such company's 'study area' unless and until the Commission and the States, after taking into account recommendations of a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company.

The Act also establishes a fund with the purpose of stimulating competition and supporting universal service and deployment of new technologies. The Board that will administer the fund and the amount of money to be appropriated to the fund has not been determined.

● Section 714. TELECOMMUNICATIONS DEVELOPMENT FUND

(a) PURPOSE OF SECTION-

It is the purpose of this section--

- (1) to promote access to capital for small businesses in order to enhance competition in the telecommunications industry;
- (2) to stimulate new technology development, and promote employment and training; and
- (3) to support universal service and promote delivery of telecommunications services to underserved rural and urban areas.

(b) ESTABLISHMENT OF FUND-

There is hereby established a body corporate to be known as the Telecommunications Development Fund, which shall have succession until dissolved. The Fund shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and jurisdiction in civil actions, to be a resident and citizen thereof.

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(e) USE OF THE FUND-

All moneys deposited into the accounts of the Fund shall be used solely for--

- (1) the making of loans, investments, or other extensions of credits to eligible small businesses . . . ;
- (2) the provision of financial advice to eligible small businesses;
- (3) expenses for the administration and management of the Fund (including salaries, expenses, and the rental or purchase of office space for the fund);
- (4) preparation of research, studies, or financial analyses; and
- (5) other services consistent with the purposes of this section.

SECTION 3

**RESULTS OF THE NRRI'S SURVEY OF STATE
UNIVERSAL SERVICE FUNDING MECHANISMS**

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RESULTS OF THE NRRI'S SURVEY OF STATE UNIVERSAL SERVICE FUNDING MECHANISMS

Summary

Beginning in November 1995, as part of a technical assistance contract with the Georgia Public Service Commission, the NRRI surveyed the state commissions regarding the existence, structure, and operation of state universal service funds. Responses were received from all the commissions surveyed (the Georgia Commission was not surveyed, as it had requested the study). The results are presented in the following tables

In general, although less than one third of the states currently have a state universal service fund in operation, and some of those apply only to lifeline programs, there is considerable interest in such funds. Most of the states either have such a fund or are investigating the possibility of instituting one, and a number of states indicated that they are studying universal service funds as part of an investigation of local competition. In fact, some of the states with existing universal service funds are considering revising their funds in light of the advent of local competition. Also, some states may revise their funds to conform with the Telecommunications Act of 1996 and the forthcoming recommendations of the Universal Service Joint Board (described in Section 2, above).

For those states that have a universal service fund or have a fairly concrete proposal for one, it is most common for the fund to be supported by a surcharge on telecommunications services provided within the state, although a variety of support mechanisms are used or proposed, including charges on a per-line or minutes-of-use basis. The surcharge (whether it is on revenues, lines, or minutes of use) is most often determined by estimating the total amount required for universal service support then setting the surcharge to collect that amount based on estimated revenues, lines, or minutes of use.

The service most often eligible for universal service support is basic residential service for customers in high-cost areas or for customers qualifying for lifeline assistance. The survey did not attempt to determine which elements or functions are included in basic local service, but the basic package is likely to include a single-party voice grade line, connection to the public switched network, local usage, touch-tone capability, provision of a local telephone directory, access to operator services and directory assistance, access to TRS and other services designed for persons with disabilities, and access to emergency services (911 or E911). Some states also support for additional services, and low-income support may provide a variety of options. For example, Wisconsin's new fund offers support for a variety of situations that might arise, including special programs to provide voice mail for certain homeless individuals and support for specialized equipment needs. Wisconsin's high-rate assistance plan is also notable in that its level of support for a given area depends on both the carrier's cost of service and a measure of median household income in the area.

PART I: EXISTENCE OF STATE UNIVERSAL SERVICE FUNDS

The NRRI asked the state Commissions about the existence of state universal service funds. The answers are summarized in Tables 1, 2, and 3. Although Table 1 indicates that only twenty-three Commissions had implemented, approved, or proposed a Universal Service Fund, most of the rest had a universal service fund under consideration, and some states with an existing Universal Service Fund are studying the issue again. Also, universal service funding issues are often considered or reconsidered as part of the discussion surrounding the opening of local exchange markets to local competition.

TABLE 1 STATUS OF STATE UNIVERSAL SERVICE FUNDS		
RESPONSE		STATES
Commission has proposed, approved, or implemented a State Universal Service Fund? [23]		AZ, AR, CA, CO, CT, HI, ID, IL, IN, KY, ME, NV, NM, OK, OR, PA, RI, TX, UT, VT, WA, WI, WY
State Universal Service Fund has been proposed or is under formal consideration by Legislature or Commission [28]		AL, AR, AZ, CO, DC, FL, HI, IA, KS, KY, LA, ME, MA, MI, MN, MS, MT, NE, NJ, NY, OH, OK., SC, TN, VT, VA, WV, WY
State Universal Service Fund was approved by the:	Legislature and Commission [8]	CA, CO, NV, RI, TX, UT, VT, WA
	Legislature Only [1]	WY
	Commission Only [5]	AR, CT, MN, OK, WI

Source: Authors' construct from state responses to NRRI's Universal Service Fund Survey.

As shown in Table 2, as of January 1996, only fifteen states have Universal Service Funds in operation (Minnesota's is scheduled for August 1, 1997). However, as noted in Table 1, most of the other states are considering implementing such funds.

TABLE 2 YEAR OF IMPLEMENTATION OF ACTIVE OR APPROVED STATE UNIVERSAL SERVICE FUNDS	
YEAR	STATE(S)
1983	California (Lifeline Fund)
1984	Rhode Island (Lifeline Program)
1985	California (High-Cost Fund)
1986	Illinois (High-Cost Fund)
1987	Arkansas Texas
1988	Idaho
1989	Indiana Arizona
1990	Utah Washington
1991	Colorado
1993	Illinois (Low-Income Fund)
1994	Oklahoma Vermont
1995	Wyoming
1996	Wisconsin (January 1)
1997	Minnesota (Implementation planned for August 1)

Source: Authors' construct from state responses to NRRI's Universal Service Fund Survey

Table 3 presents the comments made by the respondents about the various state universal service funds. Several of the states that are considering universal service funds, are doing so as part of the issues surrounding the implementation of local exchange competition.

TABLE 3 COMMENTS ON THE EXISTENCE AND STATUS OF STATE UNIVERSAL SERVICE FUNDS	
Alabama	The Commission currently has underway a universal service docket and workshop. The purpose of the docket and workshop is to determine whether there is a need for a state universal service fund, who such a fund should address, who should collect from the fund, and who should contribute to the fund.
Arizona	Only one company is currently eligible to receive high-cost support from the Arizona Universal Service Fund. A new universal service fund that makes allowances for competition is under study. A Staff proposal has been developed, and the matter is set for hearing by the Commission. Responses to this survey are based on the draft rules that have not been approved by the Commission.
California	California's High-Cost Fund distributes money to small and medium size local exchange carriers to keep basic rates reasonable. Companies file in October to request a funding level for the next year, and they must prove that they are not earning an excessive rate of return. California also has a Lifeline Program which allows qualified low-income customers to receive discounted rates. Both programs are currently under review and the Commission released a proposal in July 1995.
Colorado	The existing Fund applies to small LECs. US WEST will be eligible July 1, 1996. Possible expansion of the Fund is being reviewed via a work group process. Final expanded rules will be in place by July 1, 1996.
Illinois	Illinois has two universal service funds. One is a low-income fund, which relies on voluntary customer contributions. The other is a high-cost fund, which is supported by toll carriers based on intrastate minutes-of-use.
Indiana	The Indiana High Cost Fund was established in Cause no. 38269, Phase I, April 12, 1989. The Fund applies to companies with less than 50,000 access lines and is capped at \$1.5 million per year. In 1994, \$646,700 was paid out to 14 eligible LECs (Seven companies provided funding.).

TABLE 3 (continued)
COMMENTS ON THE EXISTENCE AND STATUS OF STATE UNIVERSAL SERVICE FUNDS

Kansas	Formal dockets on competition and universal service are underway. The universal service work group filed its report on October 31, 1995. One solution being considered is a "Kansas Basic Service Fund."
Maine	<p>A preliminary rule has been issued in a local competition docket. An anti-rate-deaveraging, anti-cherry-picking mechanism has been proposed that serves as a <i>de facto</i> universal service fund. Local rates would be unbundled into economic cost plus or minus a subsidy. Rates would move toward economic cost; the subsidy would become explicit. Interconnection charges for competitors would include the per-line subsidy for high cost areas. Ubiquitous providers of last resort can receive the subsidy if they serve the entire exchange area.</p> <p>The matter is also under study in an NOI proceeding which is part of that same local competition docket.</p>
North Carolina	A hearing is scheduled for June 25, 1996 to consider the issue
Ohio	The Commission currently has an open docket on local competition in which universal service and its funding are key issues.
Oklahoma	The Oklahoma Fund is not a true Universal Service Fund. Currently, the Fund is targeted to fund local toll service. The issue is under consideration in RM 19 as well as 95-117 and 95-119.
Pennsylvania	The proposed rulemaking concentrates on high cost of service areas — in which the <u>cost of providing basic universal service exceeds the universal service rate, which is defined as the maximum rate level that can be charged without affecting penetration rates. This rate may vary within the state.</u>
Rhode Island	Rhode Island telephone customers are eligible to receive monthly savings on their bill if they receive financial assistance from one or more of the following plans: Supplemental Security Income (SSI); Aid to Families With Dependent Children (AFDC); General Public Assistance (GPA); Food Stamps (FDST); Low Income Home Energy Assistance Program (LIHEAP); Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE); or the Rhode Island Medical Assistance Program (RIMAP).

TABLE 3 (continued)	
COMMENTS ON THE EXISTENCE AND STATUS OF STATE UNIVERSAL SERVICE FUNDS	
South Carolina	The Commission established a Task Force to review issues related to competition. Universal Service Funds and its funding is one of the issues identified by the Task Force.
Utah	The Utah Fund provides high cost assistance to independent local exchange carriers for local and switched access rates. As mandated by State statute and Commission rules, all wireline and wireless carriers contribute to the Fund regardless of whether they are otherwise regulated by the Commission.
Vermont	Vermont has solved the revenue-source half of the problem, and the revenue source is up and running. Details of the distribution system are still under consideration.
Virginia	The Commission has a local competition proceeding pending which may shortly initiate a separate universal service docket.
West Virginia	As part of Docket 94-1102-T-GI: In the Matter of Competition in the Local Exchange, a Task Force is considering a universal service fund, among other things. The Commission is considering what cost methodology should be used, and a directive on this matter is expected to be issued in the near future. A rulemaking is expected by mid-February 1996. [No action has been taken, to date]
Wisconsin	Legislation passed in 1994 required the Commission to establish a Universal Service Fund. A Final Proposed Order adopting rules was approved October 31, 1995 and sent to the Legislature. Assessments are effective January 1, 1996, and, unless bills for objection are successful or rules are suspended, the universal service program and fund will commence the first day of the month following publication in the Wisconsin Administrative Register.

Source: Authors' construct from state responses to the NRRI's Universal Service Fund Survey

PART II: DESCRIPTION OF STATE UNIVERSAL SERVICE FUNDS

The NRRI also asked state commissions to describe the operation and structure of their universal service funds. These descriptions are shown in Tables 4 through 14.

Table 4 indicates that the service most often eligible for universal service support is basic residential service. The survey did not attempt to determine which elements or functions are included in basic local service, but the basic package is likely to include a single-party voice grade line, connection to the public switched network, local usage, touch-tone capability, provision of a local telephone directory, access to operator services and directory assistance, access to TRS and other services designed for persons with disabilities, and access to emergency services (911 or E911). Some states also offer support for additional services, and low-income support may provide a variety of options. For example, Wisconsin's new fund offers support for a variety of situations that might arise including special programs to provide voice mail for certain homeless individuals and support for specialized equipment needs.

TABLE 4
SERVICES ELIGIBLE FOR SUPPORT

STATE	ELIGIBLE SERVICES
Arizona	One-party residential service with a voice-grade line.
California	High Cost Fund: miscellaneous. Lifeline Fund: discounted basic service, installation, and line charge waiver.
Colorado	Residential and Business basic service.
Connecticut	No distinction based on service.
Hawaii	Basic service
Idaho	Basic service
Indiana	No distinction based on service
Maine	Implicitly, local access service is supported.
Nevada	Basic service
Oklahoma	Toll and access
Oregon	Single-party residential service

TABLE 4 (continued)
SERVICES ELIGIBLE FOR SUPPORT

STATE	ELIGIBLE SERVICES
Pennsylvania	Basic universal service (including a single-party voice grade line, connection to the public switched network, local usage, touch-tone capability, a local telephone directory, access to operator services and directory assistance, access to TRS and other services designed for persons with disabilities, access to emergency services.
Rhode Island	Basic service with 60 message units (each unit is approx. 5 minutes)
Tennessee	Basic local exchange service and carrier-of-last-resort obligation
Texas	Telephone Assistance Program, Dual Party Relay Service, High Cost Assistance
Vermont	Dial Tone, Touch Tone, Line Quality Sufficient for Modems
Wisconsin	Link-up & Lifeline, Voice Mail for the Homeless, Special Needs Purchase Voucher, Specialized Telecommunications Customer Assistance, High Local Rate Assistance, Rate-shock Mitigation, Rate Discounts for Institutions, and IntraLATA Toll Provider-of-Last-Resort.
Wyoming	Essential services, such as 911 access.

Source: Authors' construct from state responses to the NRRI's Universal Service Fund Survey

As shown in Table 5, eligibility for universal service support depends on both customers and area served. In general, customer eligibility is most commonly used for low-income support programs or specialized support (e.g., Wisconsin's assistance for individuals with special needs), and area eligibility is most common for high-cost support. The most common means of funding universal service support is by means of surcharges on some measure of telecommunications revenues, although line charges are also used.

TABLE 5 ELIGIBILITY CRITERIA FOR RECEIVING UNIVERSAL SERVICE SUPPORT AND FUNDING MECHANISM		
RESPONSE		STATES
Eligibility for support is determined by:	Customers [2]	RI, TX
	Service Areas [7]	AZ, CO, ID, ME, OK, PA, VT
	Customers and Service Areas [4]	CA, HI, OR, WI
	Other [4]	CT, IN, TN, WY
Fund relies on:	Surcharge on Telecommunication Revenues [13]	AZ, CA, CO, CT, HI, ID, KS, NV, OK, PA, UT, VT, WY
	Line Charge [3]	CO, ID, UT
	Customer Charge [2]	KS, UT
	Other [8]	AR, IN, ME, OR, RI, TX, VT, WI

Source: Authors' construct from state responses to the NRRI's Universal Service Fund Survey

As shown in Table 6, a variety of funding mechanisms are in place or proposed. Although a variety of devices are used, the most common funding mechanism is to impose a surcharge on some measure of total intrastate telecommunications revenues. The amount of the surcharge is most often determined by estimating the required amount of universal service support and the revenues subject to the surcharge. The rate of surcharge is then adjusted to collect the amount of support required from available sources.

**TABLE 6
REVENUES SUBJECT TO THE SURCHARGE AND RATES OF SURCHARGE**

STATE	REVENUES SUBJECT TO THE SURCHARGE AND RATES OF SURCHARGE
Arizona	The percent of revenue assessment for a given year will be calculated by the administrator using the annual Arizona intrastate revenue for all Category Two service providers for the previous year. The per-line surcharge will be calculated by the administrator using the total number of access lines and equivalent access lines derived from interconnecting trunks that were in service for all Category One service providers on October 1 of the previous year. The number of access lines includes business and residence lines, public access lines, and other identifiable access lines.
California	All telecommunications revenues on a customer's bill are subject to the surcharge, except the revenue from one-way paging company customers. The need for the Fund is determined during the prior year and the surcharge amount is calculated as a percentage of the total California billing base.
Colorado	Bulk Bill to IXCs based on percentage of Inter-exchange minutes of traffic.
Connecticut	Percentage of revenues varies by carrier.
Hawaii	Based on a percentage of a telecommunication carrier's gross operating revenues from the provision of intrastate telecommunication services during the preceding calendar year.
Idaho	The Commission determines a rate to be assessed on minutes of use. Each carrier reports monthly minutes to the Universal Service Fund Administrator. The same procedure can be applied for any carrier desiring to remit a percentage of toll revenue. The Commission conducts an annual review and adjusts surcharge amounts as required to maintain an adequate balance to ensure that distributions can be made for the year.

TABLE 6 (continued)
REVENUES SUBJECT TO THE SURCHARGE AND RATES OF SURCHARGE

STATE	REVENUES SUBJECT TO THE SURCHARGE AND RATES OF SURCHARGE
Maine	All carriers and all lines are subject.
Nevada	All certified telecommunications providers receive a levy on their retail intrastate revenues. The levy rate is based on estimated retail service revenues and the amount of funding needed for the following year.
Oklahoma	Toll revenues are subject to surcharge. The rate of the surcharge is determined by dividing required revenues by minutes of use.
Pennsylvania	The proposed USF will rely on an assessment rate that will apply to the total gross intrastate operating revenues of all contributing telecommunications providers.
Utah	Revenues subject to the surcharge are based on toll (or equivalent) minutes of use billed to customers by all wireline or wireless providers. The rate of the surcharge is determined by annual evaluation of the requirements to maintain residential local rates at or below \$11.50 per month and business rates at or below \$23.00 per month, excluding extended area service charges. The requirements include maintaining switched access rates at reasonable levels, computed annually. Special access services also receive universal service fund assistance when specifically decided by the Commission.

TABLE 6 (continued)
REVENUES SUBJECT TO THE SURCHARGE AND RATES OF SURCHARGE

STATE	REVENUES SUBJECT TO THE SURCHARGE AND RATES OF SURCHARGE
Vermont	All revenues billed to Vermont customers are subject to the surcharge. The rate of the surcharge is determined by the Public Service Board, which looks at: (1) appropriations for E-911, (2) estimated contractual cost for TRS, and (3) estimated benefits under lifeline.
Wisconsin	Total gross intrastate telecommunications revenues are subject to the surcharge. There is no offset for access or other potentially double-counted revenues. When the Commission sets the anticipated annual budget for the Fund, a percentage surcharge will be calculated as follows: $\text{Fund Budget} / \text{Total Revenues Subject to Assessment} = \text{Rate}$.
Wyoming	As rules are currently proposed, all retail telecommunications revenues, excluding wholesale revenues such as access, will be subject to the surcharge. The rate of the surcharge is based on calculation of need for funding. The level of funding is set so that reimbursements to providers will be sufficient to ensure that no customer pays more than 130% of the statewide average rate.

Source: Authors' construct from state responses to the NRRI's Universal Service Fund Survey

As shown in Table 7, it is most common for all telecommunications carriers offering intrastate services to be responsible for remitting the surcharge.

TABLE 7 WHO REMITS THE SURCHARGE?	
STATE	CARRIERS THAT MUST REMIT THE SURCHARGE
Arizona	All telecommunications service providers that interconnect to the public switched network are required to participate in the Arizona Universal Service Fund.
California	All telecommunications carriers in California, including wireless carriers, are required to collect and remit the surcharge. One-way paging companies are excluded.
Colorado	Certified IXCs such as AT&T, MCI, SPRINT, US WEST, etc.
Connecticut	All telecommunications carriers.
Hawaii	All telecommunications carriers operating or providing telecommunication services within the State of Hawaii.
Idaho	All providers of MTS and WATS type services.
Nevada	Certified telecommunications providers.
Oklahoma	IXCs and LEC toll providers
Oregon	All providers
Pennsylvania	Under proposed rules, the assessment would apply to all certificated telecommunications utilities providing regulated telecommunications services with intrastate operating revenues exceeding \$500,000. Comments have been solicited and received on the issue of whether the Commission has the authority to impose the assessment on cellular and other providers not subject to its jurisdiction.
Rhode Island	New England Telephone absorbs the Lifeline Credit, which means that the cost of the Lifeline program is not passed along to other customers.