



State Universal Service Funds 2014

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Executive Summary

Universal Service is a key component of both Federal and State communications policy. Its goal is to ensure that all citizens have access to robust, reliable communications services, including broadband connectivity, at affordable rates, with "reasonably comparable service" across the country. Federal Universal Service funds (FUSF) provide a baseline for ensuring that comparable service is available to both urban and rural consumers. State funds both add to support provided by the Federal USF and are used to provide targeted support to address specific issues faced by each state's consumers.

NRRI's 2014 State USF review examines the way in which the states have addressed the question of universal service through state funds that supplement the four areas defined by the FCC--high cost support, low income support, support for schools and libraries (E-rate), and rural healthcare support. This paper examines changes to the state USF funds between 2012 and 2014 due to legislation, the FCC's USF Transformation Order, new rate benchmarks, and the move to include broadband in the Connect America Fund (CAF). The paper addresses the ways in which carriers and end users contribute to the funds, as well as the ways in which State funds are disbursed. This discussion provides data that may help State regulators and others respond to the FCC's current examination of the Federal USF contribution methodology, as well as manage their own State funds. The facts provided by the study will help the States make decisions on their funds, the FCC to understand the impacts of the ICC/USF Transformation Order on the states, and provide input on the way in which fund contributions may be structured in the future.

Forty-nine states and the District of Columbia responded to the NRRI 2014 survey.¹ Only one state, Hawaii, did not respond.

The states have multiple funds to support multiple universal service obligations. For simplicity, NRRI uses the term State USF in this study to refer to all of these funds, including access restructuring funds (Intrastate Access Support or IAS), Lifeline funds, Telecommunications Relay Service (TRS), accessible telecommunications equipment (TEP) funds to provide specialized customer premises equipment to the hearing and visually impaired, and other funds established by state law.

In all, 45 states provide some form of State universal service support in addition to the Federal funds. Six states, Alabama, Florida, Massachusetts, New Jersey, Tennessee, and Virginia, have no State funds. Although it has no fund, Florida requires all carriers to provide

¹ For simplicity, we refer to the District of Columbia as a state throughout this report.

Lifeline service. Massachusetts has no State fund but provides broadband support through a State grant program.

State USF support includes high cost support (22 states), funds for broadband access for schools and libraries (5 states), funding for Lifeline (17 states), and dedicated broadband funding (5 states). The majority of states direct USF contributions to specific funds. Two states, Texas and Washington, use a different methodology. Texas collects its USF as a single lump sum, which is then disbursed by the Commission to each state fund based on need. Washington funds universal service through the State's General Fund and then directs it to specific funds.

The largest proportion of SUSF funding (both in the number of states with a fund and the dollar value of that fund) is directed to supporting carriers that provide service in high cost or remote areas. Nearly half of the states with funds (22) provide high cost support. State high cost funds provide financial support for providers offering service in high cost and remote areas. Changes to the high cost funds over the study period, including the reduction or elimination of funding in areas served by competitive suppliers, have reduced the size of the fund in some cases or redirected monies to other uses in other cases.

Three states have Intrastate Access Restructuring Support (IAS) funds specifically designed to mitigate the effects of access charge reductions on carriers. For example, Michigan's fund is designed specifically to mitigate the effects of bringing intrastate access charges into alignment with interstate access charges on rural carriers. Where the states support IAS reform but do not designate a separate fund, we include their value in the high cost fund.

The State Universal Service funds grew just under 10% over the study period, from \$1,354,782,370 in 2012 to \$1,484,569, 879 in 2014. The growth in the funds was largely driven by significant increases in broadband and E-Rate funding in California and high cost growth in Illinois. The growth of State USF funds was tempered by reductions in Lifeline support and IAS funding, both driven by changes in federal regulation. State Lifeline funding decreased over the study period, as a result of both reductions in State support levels and more stringent eligibility requirements, including the elimination of duplicate registrations. One state, Wyoming, eliminated its State Lifeline program at the end of the study period. Additional reductions in Lifeline funding will occur over the next few years, as more states limit the amount of support they provide above the Federal benefit.

Contributors to the State USF vary by state and often by fund. All 50 of the states that responded to the NRRI survey assess wireline carriers, including CLECs. More than half of the states (32) assess intrastate long distance carriers (IXCs). Over half of the respondents (28) assess wireless providers. Seventeen states assess intrastate voice service provided by cable companies, while 13 states also assess interconnected VoIP providers.² Eight states assess end

² For the purposes of this paper, we categorize voice service provided by cable companies separately from other interconnected voice services, such as those provided by Vonage or Skype. AT&T's U-Verse service and Verizon's FiOS service are also included in the interconnected VoIP category.

users. Twelve states assess paging companies. In some states, cable and interconnected VoIP providers contribute voluntarily. Voluntary contributors include one VoIP provider in New York and one cable company in Utah, as well as some VoIP providers in Oregon. Unlike the Federal fund, which assesses providers a flat rate adjusted on a quarterly basis, collection by States differs depending on the fund to be supported. This allows the states to hone their funding requirements more specifically and to test out different contribution and funding methodologies.

The State Fund Overview table summarizes the findings of the 2014 NRRI Universal Service Survey.

State Universal Service programs are a significant tool for meeting the important policy goal of ensuring access to telecommunications for all citizens, regardless of where they live or their financial status. Continuing study and review of information on how various states meet this goal will remain an important public utility commission activity, now and in the future.

State Fund Overview

State	Who is Assessed?								On What Basis?			
	Landline	Wireless	VoIP	Cable	IXCs	Paging	End Users	Other	Intrastate Revenues		Per Line	Other
									Gross	Net		
AL												
AK	X	X			X	X	X		X			
AZ	X	X	X	X	X	X			X		X	
AR	X	X	X	X	X				X			
CA	X	X	X				X				X	
CO	X	X			X	X			X			
CT	X	X			X				X			
DC	X		X	X					X			
DE	X				X				X			
FL												
GA	X		X	X			X	X	X			
HI												
ID	X				X						X	X (4)
IL	X				X					X		
IN	X	X			X					X		
IA	X	X			X				X			X (5)
KS	X	X	X	X	X	X				X		
KY	X	X	X	X							X	
LA	X	X	X	X	X				X			
ME	X	X	X	X	X					X		
MD	X	X	X	X	X						X	
MA												

State	Who is Assessed?								On What Basis?			
	Landline	Wireless	VoIP	Cable	IXCs	Paging	End Users	Other	Intrastate Revenues		Per Line	Other
MI	X	X			X			X		X		
MN	X	X	X	X	X	X					X	
MS												
MO	X			X	X							X
MT							X				X	
NE	X	X	X	X	X	X				X		
NV	X	X	X	X						X		
NH	X			X							X	
NJ												
NM	X	X		X		X				X		
NY	X		X (1)	X						X		
NC							X				X	
ND	X	X									X	
OH	X	X	X	X	X	X						X
OK	X	X	X	X	X	X			X			
OR	X	X	X (2)		X		X		X		X	
PA	X				X			X		X		
RI							X				X	
SC	X				X		X					X (6)
SD	X	X			X	X	X				X	
TN												
TX	X	X			X	X			X			
UT	X	X		X (3)	X				X			
VT							X				X	
VA												
WA								X				X (7)
WV								X				
WI	X	X	X	X	X				X			
WY	X	X		X	X	X			X			

Notes:

(1) NY: One VoIP provider contributes voluntarily

(2) OR: VoIP providers contribute voluntarily

(3) UT: One cable company contributes voluntarily

(4) ID: Contribution differs by program

(5) IA: Wireless contribution by assigned number

(6) SC: Wireline: Retail rev., Relay per line, IAS allocated from prior year

(7) WA: Allocation from State general fund

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State Universal Service Funds 2014

I. Introduction

Universal Service is a key component of both Federal and State communications policy. Its goal is to ensure that all citizens have access to robust, reliable communications services, including broadband connectivity, at affordable rates, with "reasonably comparable service" across the country. Federal Universal Service funds (FUSF) provide a baseline for ensuring that comparable service is available to both urban and rural consumers. State funds both add to the support provided by the Federal USF and are used to provide targeted support to address specific issues faced by each state's consumers.

NRRI's 2014 State USF review examines the way in which the states have addressed the question of universal service through state funds that supplement the four areas defined by the FCC--high cost support, low income support, support for schools and libraries (E-rate), and rural healthcare support. This paper examines changes to the state USF funds between 2012 and 2014 due to legislation, the FCC's USF Transformation Order, new rate benchmarks, and the move to include broadband in the Connect America Fund (CAF).³ The paper addresses the ways in which carriers and end users contribute to the funds, as well as the ways in which state funds are disbursed. This discussion provides data that may help State regulators and others to respond to the FCC's current examination of the Federal USF contribution methodology, as well as manage their own State funds. The facts provided by the study will help the States to make decisions on their funds, the FCC to understand the impacts of the ICC/USF Transformation Order on the states, and provide input on the way in which fund contributions may be structured in the future.

Forty-nine states and the District of Columbia responded to the NRRI 2014 survey.⁴ Only one state, Hawaii, did not respond.

The states have multiple funds to support multiple universal service obligations. For simplicity, NRRI uses the term State USF in this study to refer to all of these funds, including access restructuring funds (Intrastate Access Support or IAS), Lifeline funds, Telecommunications Relay Service (TRS), accessible telecommunications equipment (TEP) funds to provide specialized customer premises equipment to the hearing and visually impaired, and other funds established by state law.

In all, 45 states provide some form of State universal service support in addition to the Federal funds. Six states, Alabama, Florida, Massachusetts, New Jersey, Tennessee, and

⁴ For simplicity, we refer to the District of Columbia as a state throughout this report.

Virginia, have no State funds. Although it has no fund, Florida requires all carriers to provide Lifeline service. Massachusetts provides broadband support through a State grant program.

State USF support includes funds for broadband access for schools and libraries (5 states), funding for Lifeline (17 states), and dedicated broadband funding (5 states). The majority of states direct USF contributions to specific funds. Two states, Texas and Washington, use a different methodology. Texas collects its USF as a single lump sum, which is then disbursed by the Commission to each state fund based on need. Washington funds universal service through the State's General Fund and then directs it to specific funds.

The largest proportion of this funding (both in the number of states with a fund and the dollar value) is directed to supporting carriers that provide service in high cost or remote areas. Nearly half of the states with funds (22) provide high cost support. The State high cost funds provide financial support for providers offering service in high cost and remote areas. Changes to the high cost funds over the study period, including the reduction or elimination of funding in areas served by competitive suppliers, have reduced the size of the fund in some cases or redirected monies to other uses in other cases.

Three states have funds specifically designed to mitigate the effects of access charge reductions on carriers. Where possible, we review these IAS funds separately. For example, Michigan's access restructuring fund is designed specifically to mitigate the impact of bringing intrastate access charges into alignment with interstate access charges; therefore, we address it as part of the separate IAS category. Where the states do not designate separate Intrastate Access Restructuring Funds, we include their value in the high cost fund.

The State Universal Service funds grew just under 10% over the study period, from \$1,354,782,370 in 2012 to \$1,484,569, 879 in 2014. The growth in the funds was largely driven by significant increases in broadband and E-Rate funding in California. USF growth was tempered by reductions in Lifeline support and funding for intrastate access support, both driven by changes in federal regulation. State Lifeline funding decreased over the study period, as a result of both reductions in State support levels and more stringent eligibility requirements. One state, Wyoming, eliminated the State Lifeline program during the study period. Additional reductions should occur over the next few years, as more states limit the amount of support provided above the federal benefit.

Contributors to the State USF vary by state and often by fund. All 50 of the states that responded to the NRRI survey assess wireline carriers, including CLECs. More than half of the states (32) assess IXC. Over half of the respondents (28) assess wireless providers. Seventeen states assess cable voice providers, while 13 states also assess interconnected VoIP providers.⁵ Eight states assess end users. Twelve states assess paging companies. Maine assesses wireless

⁵ For the purposes of this paper, we consider voice service provided by cable companies as a separate category from other interconnected VoIP services, such as those provided by Vonage or Skype. We include AT&T U-Verse and Verizon FiOS in the interconnected VoIP category as well.

providers for the High Cost and E-Rate funds, but support from wireless carriers for the broadband fund is voluntary.

In some states, cable and VoIP providers contribute voluntarily. Voluntary contributors include one VoIP provider in New York and one cable company in Utah, as well as some VoIP providers in Oregon. Unlike the Federal fund, which assesses providers a flat rate adjusted on a quarterly basis, collection by States differs depending on the fund to be supported. This allows the states to hone their funding requirements more specifically and to test out different contribution and funding methodologies.

State Universal Service programs continue to be an important tool for meeting the important policy goal of ensuring access to telecommunications for all citizens, regardless of where they live or their financial status. Continuing study and review of information on how various states meet this goal will remain an important public utility commission activity, now and in the future.

A. Organization

For ease of reading, this paper is organized into six sections, with detailed information following the order of the questions in the State USF survey provided in Appendix A.

Part I of this paper is this introduction.

Part II provides a brief overview of the history and current status of the federal universal service fund.

Part III describes the state universal service funds. These funds include support for specialized services for the disabled, as well as support for companies bringing their intrastate transit rates into line with interstate rates as required by State law. This section reviews the findings from the 2014 NRRI study and provides an update on the way in which the funds have changed over the period between 2012 and 2014. It reviews changes in the size of the state funds, additions or changes to contributors and contribution rates, as well as new funds added to address the specific needs of state citizens.

Part IV describes the companies that contribute to State funds, and examines how contributions are assessed, and how funds are distributed. Unlike the fixed funding rate of the Federal funds, the States have chosen varying contribution methods depending on the type of fund and the type of provider either being assessed or collecting and remitting fees from its customers.

Part V reviews recent state legislation regarding universal service, as well as recent State proceedings addressing USF funding and contribution. Changes to state universal service funding, particularly the High Cost fund, have been mandated in several states in response to a perceived increase in competition in these areas and reductions in regulation. Broadband funding and funding for schools and libraries have grown significantly. Changes have also occurred with the federal Lifeline program, which has affected state funding.

Part VI provides conclusions and recommendations.

B. Methodology

The NRRI 2014 State USF Survey was distributed to commission staff in the 50 states and the District of Columbia. The author worked with NARUC's USF subcommittee to develop the survey questions, distribute the initial questionnaire, and provide follow-up questions. The 2012 survey consisted of 10 questions. The 2014 survey consisted of 13 questions asking states to describe the design of their funds, the types of funds supported, fund contributors, and the way in which monies are distributed. The 2014 survey added questions about broadband deployment and funding, as well as questions focused on the changes to state funds resulting from legislation. The 2012 survey identified 20 states that were considering changes to their universal service funds based on the USF Transformation Order or state legislation limiting funding and/or redefining state funds. The 2014 survey followed up on these questions. The survey questionnaire is found in Appendix A.

Forty-nine states and the District of Columbia responded to the NRRI survey.⁶ A summary of the survey responses is found in Appendix B. Individual State responses are available on request. Responses to the survey were tallied and used to provide the data in the report. Responses to closed questions such as whether the state had a fund and what services the funds support were tallied and are provided via charts in this paper. Responses to open-ended questions, such as the effect of State or federal legislation on state funds, are discussed in the relevant sections of the paper. The funding data provided in the paper, including the categorization of the funds, was provided by the states. The dollar values of funds such as Lifeline that provide support on a per subscriber basis are included in total State USF funding where available. These funds are discussed separately in part III of this paper.

II. Defining Universal Service

The availability of reasonably comparable communications services to all citizens of the United States at affordable rates, regardless of where they live, has been a key national policy goal since the passage of the Communications Act of 1934. Section I of the Act establishes the Federal Communications Commission (FCC) and instructs it

to make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid, efficient, Nationwide, and world-wide wire and radio communication service with adequate facilities at reasonable charges, for the purpose of the

⁶ Hawaii did not respond to the 2014 survey. In 2012, Hawaii's Universal Service fund provided \$72,000 for Telecommunications Relay Service (TRS). Hawaii's current TRS funding is not included in this paper. See Lichtenberg, Sherry, et. al., *Survey of State Universal Service Funds 2012*, National Regulatory Research Institute, Report 12-10, July 2012, available at <http://communities.nrri.org/documents/317330/e1fce638-ef22-48bc-adc4-21cc49c8718d>

national defense, for the purpose of promoting safety of life and property through the use of wire and radio communication . . .⁷

Prior to the passage of the Telecommunications Act of 1996, the availability of communications services at affordable rates even in rural locations was made possible by a system where high long distance rates offset low local rates and higher rates for business customers allowed lower rates for residential customers. Implicit support was calculated based on embedded accounting records. Although telephone penetration was low when the 1934 Act was passed, as a result of the move toward universal service, it increased to over 50% by the end of World War II, with further gains thereafter.⁸

The breakup of the Bell System in 1984 and the introduction of competition in 1996 changed the paradigm for supporting universal service. With AT&T's local and long distance companies separated from each other, long distance revenues could no longer subsidize local services, causing a potential gap between urban and rural rates. To close this gap, the 1996 Act created a Universal Service Fund (USF) to replace these implicit subsidies with direct funding for carriers servicing high cost areas and to ensure that comparable service was provided to all consumers across the country, regardless of their location. The Act established six key principles for ensuring the availability of comparable services.

(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.

⁷ See *Communications Act of 1934*, 47 U.S.C. §151 *et. seq.* As NRRI noted in a 2006 paper on Universal Service, these goals were primarily "aspirational" in 1934, when fewer than 50% of Americans had a telephone. Other than the Bell System slogan of "one carrier, one network, Universal Service," stated in the Kingsbury Commitment, there was no specific funding or direction for providing universal telephone service. See Rosenberg, Edwin, Perez-Chavolla, Lilia, Liu, Zing, Commission Primer, National Regulatory Research Institute, Report 06-08, May 2006, available at <http://communities.nrri.org/documents/317330/629f2912-da31-4b35-9acd-e206473dfccc>

⁸ Id.

(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.⁹

Universal Service support is provided to eligible wireline and wireless carriers that provide interstate communications services covered under the Act.¹⁰ Carriers receiving federal USF funds must meet quality and availability standards. Prior to being named "eligible telecommunications carriers" (ETCs), carriers must be certified by the states as eligible to participate in the federal Universal Service program.

Pursuant to Section 254(a)(1) of the 1996 Act, USF reforms were referred to the federal-state Joint Board on universal service, then recommended by the Joint Board and largely implemented by the FCC. Reforms were first implemented with the large former Bell operating companies (BOCs) and Verizon, the "non-rural carriers," using a forward looking cost model to calculate their support. Reforms were then implemented with the rural carriers, which were initially kept under an embedded cost method, upon the recommendation of the Rural Task Force appointed by the Joint Board and the FCC.

The federal government and the States share the goal of ensuring universal access to communications services, including advanced services such as broadband, to all citizens. To that end, both the federal government and many states provide universal service support. Although this paper focuses on State universal service programs, we discuss the federal universal service funds briefly as background for the review of state programs. With that background in mind, we then review the States' response to the goal of universal service, particularly as it relates to contributors to the fund and the ways in which funding is distributed.

Federal Universal Service support is provided through four funds:

⁹ 47 USC 254(2)(b) Section 254 includes a seventh principle, directing the Federal-State Board on Universal Service to create "such additional are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act."

¹⁰ California also provides support to interconnected VoIP carriers, as well as funding from the California Advanced Services Fund for broadband only providers.

- The Connect America Fund (formerly the High Cost Fund), which provides support for carriers providing voice and broadband connectivity in (primarily) rural areas;
- The Lifeline Fund, which provides discounted wireline and wireless services for low-income consumers;¹¹
- The Schools and Libraries (E-Rate) fund, which provides funding for broadband access and other communications support for educational institutions;
- The Rural Health Care Fund, which provides support to eligible health care providers for the telecommunications and broadband services necessary for the provision of telemedicine services in rural areas.

Together, these four federal funds were expected to disburse approximately \$9B in 2014, with the largest share (\$4B) coming from the Connect America Fund.

The Connect America fund was capped at \$4.5B beginning in fiscal year 2014. 2013 expenditures for this fund were \$4B. Lifeline fund expenditures vary depending on the number of consumers who obtain support. This fund disbursed \$1.8B in 2013 and was expected to disburse \$1.672B to low-income consumers during 2014, primarily due to program changes that tightened eligibility criteria and eliminated duplicate enrollments. The Schools and Libraries fund was capped at \$2.6B in 2014 but will increase to \$3.9B in 2015 as a result of changes in the fund to increase broadband connectivity. This fund provided support in the amount of \$2.2B in 2013. Finally, the smallest of the funds, the Rural Health Care Fund, was funded at \$400M for 2014, but expended only \$159M in 2013.¹²

The Federal USF is funded by a percentage of end user revenues for interstate (long distance) telecommunications services. Initially, contributions were required from long distance providers (IXCs), wireline providers, wireless carriers, payphone providers, and some private carriers that sell service on an individualized, contract basis. In 2006, the FCC broadened the contribution base by adding interconnected VoIP providers "as a means of ensuring a level playing field among direct competitors."¹³ Revenues from "retail information services," such as

¹¹ The Lifeline Fund was modified in 2012 to reduce costs and eliminate waste, fraud, and abuse by instituting a one resident/one phone rule, eliminating the "link-up" payment that covered installation costs in all areas but on tribal lands, and reducing the subsidy to \$6.25 per month in rural and urban areas and \$10.25/month on tribal lands. See Lichtenberg, Sherry, Ph.D., *Lifeline and the States: Designating and Monitoring Eligible Telecommunications Carriers*, National Regulatory Research Institute, Report No. 13-12, November 2013, available at http://communities.nrri.org/research-papers?p_auth=gfTDCrW6&p_p_auth=ut7hUO2h&p_p_id=20&p_p_lifecycle=1&p_p_state=exclusive&p_p_mode=view&20_struts.action=%2Fdocument_library%2Fget_file&20_groupId=317330&20_folderId=0&20_name=9102

¹² Op. cit. *USAC Annual Report 2013*. The most recent report covers the period from July 1, 2013 to June 30, 2014. The 2014 report will be issued by 3/31/15.

¹³ The largest contributors to the funds are the ILECs and the wireless companies. Cable voice providers and over the top VoIP providers like Skype do not contribute to the federal funds. See

cable voice and broadband are not included in the contribution base. USF charges are recouped by these carriers through a surcharge on consumer bills. This surcharge is not assessed on Lifeline subscribers.

Reductions in long distance prices (including the introduction of "all you can eat" plans), changes in calling patterns, and the shift to broadband-enabled products such as cable voice and over the top VoIP have reduced the interstate revenue assessed for universal service support, resulting in the need to increase the contribution rate in order to maintain support at existing levels, let alone increase it to cover broadband deployment and availability. Contribution rates have risen steadily over the last 15 years and show no sign of moderating. The USF contribution rate was 6% in 2000 and has increased yearly since that time. The 4Q2014 rate was 16.1%. The rate was 16.8% for 1Q2015 and will rise to 17.4% in the second quarter.¹⁴ The FCC's rulemaking on contribution proposes to address this issue by potentially broadening the base to include more services and providers, but any resolution is at least a year away (if not several).

These changes in the Universal Service fund contribution rate will increase the pressure on the consumers who ultimately pay for universal service support. They will also affect the funds in states that provide additional support to carriers and consumers particularly in high cost areas. This paper focuses on the way in which the States are supplementing the federal funds through explicit state subsidies, and, in many cases, a larger contribution base.

III. State Universal Service Funds

State Universal Service funds (SUSF) provide support beyond the four areas funded by the Federal USF. For example, nearly all the States assist in providing specialized equipment for the hearing-impaired through Telecommunications Equipment (TEP) programs, support telecommunications relay service (TRS) to enable the hearing impaired to communicate with others, and fund special projects, such as reading for the blind, and public interest, low cost payphones. State High Cost funds (HCF) and Interstate Access Support (IAS) funds assist rural carriers in continuing to provide service in high cost rural areas by minimizing the losses these carriers sustain as they bring their intrastate access charges into line with interstate rules (including the change to bill and keep funding for originating access).

Most importantly, the State USF provides a "test bed" for determining how best to support key telecommunications areas in the States, including providing service in high cost areas, supporting disadvantaged and disabled consumers, and extending the reach of broadband networks. The state funds address contribution and contributors in varying ways that may serve as a guide for the FCC in determining how to broaden the contribution base of the federal funds.

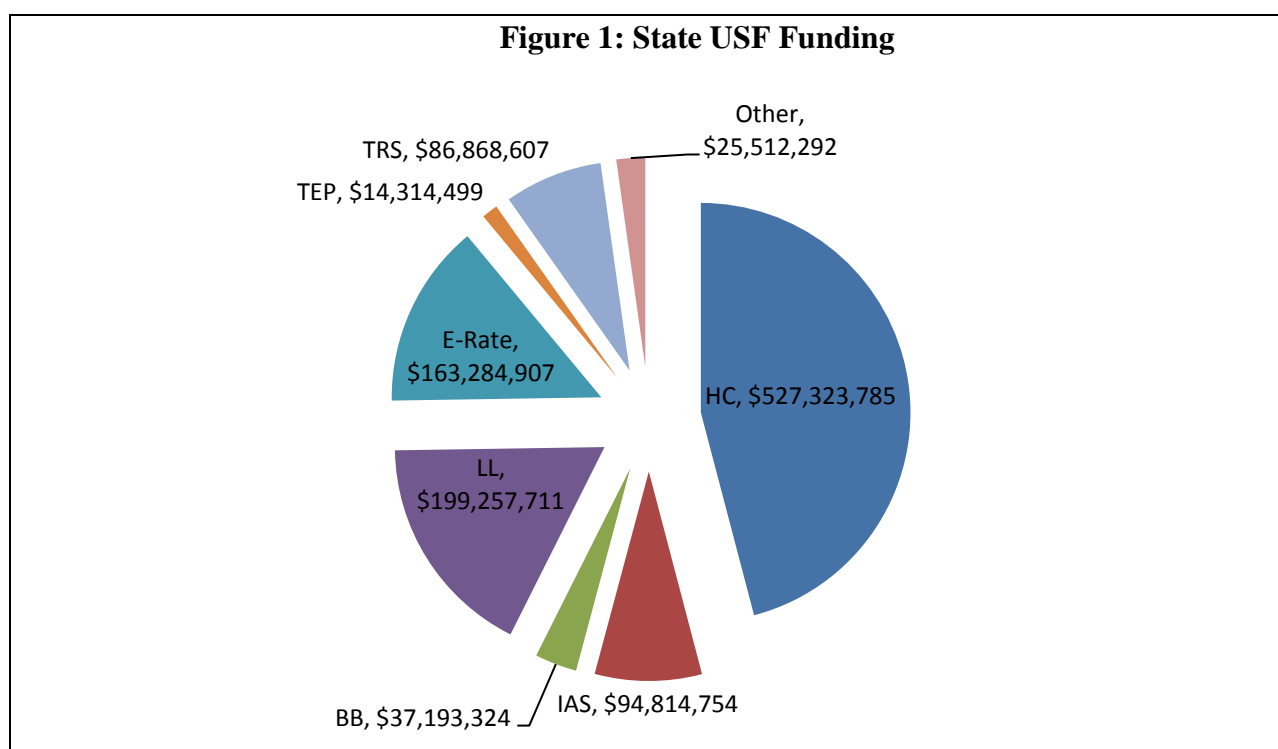
Federal Communications Commission, *In the Matter of the Universal Service Contribution Methodology, Further Notice of Proposed Rulemaking*, April 27, 2012, WC Docket No. 06-122, pg. 6, Contributors

¹⁴ See 2015 USAC Universal Service Contribution Factor projections, available at <http://www.usac.org/cont/tools/contribution-factors.aspx>

The States condition distribution on a number of factors not considered in the federal program, including limiting funding to unserved and underserved areas and creating funds to provide specific support for broadband.

Forty-five states had state funds in 2014 compared to 44 states in 2012.¹⁵ These funds support a variety of services, including high cost support, broadband support, intrastate access reform support, Lifeline, E-rate, and TRS and telecommunications equipment programs (TEP). Delaware, which did not have a SUSF in 2012, created two funds in 2014 to support telecommunications relay service (TRS) and broadband deployment. The Broadband fund is managed by a state agency established specifically for this purpose. Broadband funding for Delaware was estimated to be \$2M in 2014.

Figure 1 shows State USF funding for 2014.



Six states, Alabama, Florida, Massachusetts, New Jersey, Tennessee, and Virginia, do not have State universal service funds.¹⁶ Florida requires all carriers providing service in the state to participate in the Federal Lifeline program but does not have a state fund. No state discontinued Universal Service support altogether in 2014, although two states, Wyoming and West Virginia,

¹⁵ State totals include the District of Columbia.

¹⁶ Massachusetts provides state grants for broadband development and TRS but does not consider this support as constituting a State Universal Service fund.

will implement significant program changes in 2015. Wyoming discontinued its Lifeline fund at the beginning of 2015 as a result of legislation passed in March 2015, but will continue to provide high cost and TRS support.¹⁷ West Virginia's broadband support program ended 12/31/2014. This program provided grants totaling \$895,000 for broadband development in unserved areas in 2014.¹⁸

Total State USF funding for 2014 was \$1.49B, compared to \$1.35B in 2012, a 10% increase.¹⁹ This total includes \$336,000,000 from the Texas SUSF. Texas provides SUSF support as a single lump sum with specific program expenditures determined on a yearly basis. For this reason, Texas's SUSF is included in the total amount of funding but not shown by a specific program.

The increase in fund size resulted primarily from increased funding for high cost support, broadband initiatives, and E-Rate in California, as well as slight funding increases in other states. The growth in high cost funding was offset by reductions in intrastate access support and reductions in Lifeline expenditures due to more stringent program rules and the elimination of duplicate registrations.

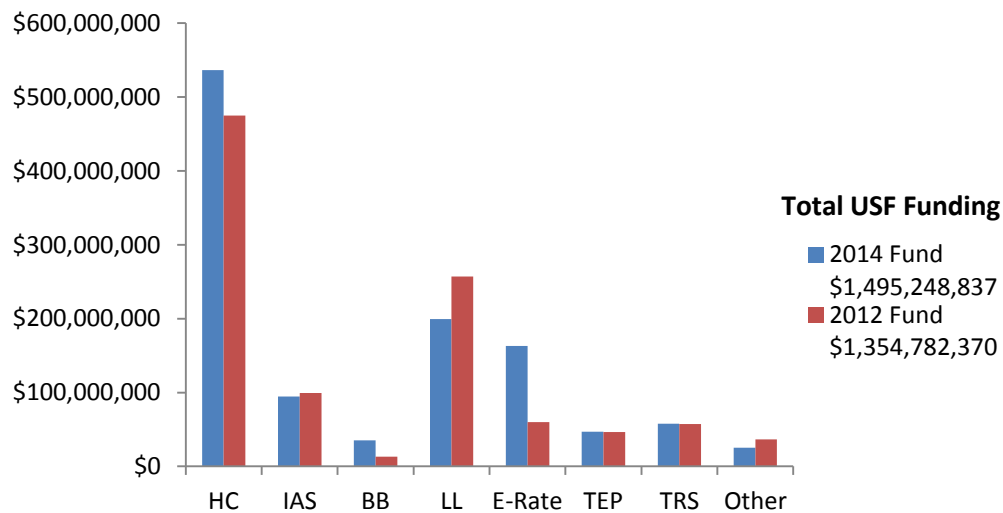
Figure 2 compares 2014 SUSF funding to the amounts reported by the states in 2012.

¹⁷ See Wyoming bill HB0037, available at <https://legiscan.com/WY/text/HB0037/id/1134361/Wyoming-2015-HB0037-Enrolled.pdf>. We discuss this bill in Part V of this paper.

¹⁸ West Virginia passed legislation in April 2015 to add a new Broadband Authority to disburse funds in the state, but it has not yet been funded.

¹⁹ Funding amounts were provided by the states in their responses to the state survey. Lifeline funding fluctuates depending on the number of participants in the program. Some states reported only the amount of support provided per customer, not the total amount of Lifeline funding for 2014.

Figure 2: State USF Funding Comparison 2012-2014



Note: \$336,000,000 Texas USF funding not included in individual line items.

A. Types of State Funds

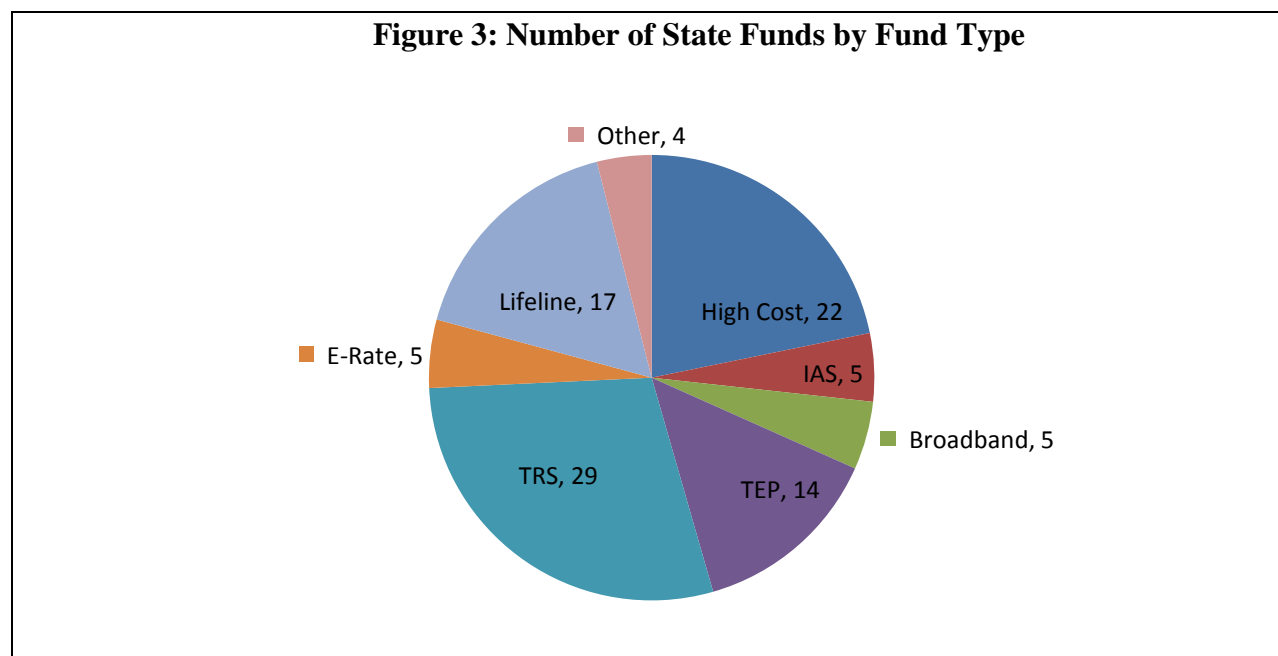
Together, the 45 states that provide universal service support fund a total of 89 programs ranging from high cost support for carriers in rural and other hard to serve areas to public payphones to reading services for the blind. The types of funds supported by the SUSF have remained relatively unchanged since 2012, although their focus has shifted from telecommunications to broadband initiatives. For example, Vermont modified its high cost fund in 2014 to require companies accepting high cost support to use at least 50% of that funding to build out broadband service in their territory.²⁰

In addition, some states, for example, Colorado and Wyoming, limit high cost support only to those parts of the state where there is no competition.

High cost support, including Intrastate Access Reduction Support, remains the largest category of state funds, representing 47% of the total number of states with state USF funds. High cost funding grew slightly in 2014 but is expected to decrease as states like Colorado move to provide high cost funding only in areas with competition from unsubsidized competitors. The majority of states with high cost funds include Intrastate Access Support (IAS) monies in their high cost funds. Three states, however, Alaska, Michigan, and New Mexico, have separate funds to cover reductions in intrastate access revenues. We address these state funds separately.

²⁰ See Vermont Act No. 190. *An act relating to Vermont telecommunications policy*, available at <https://legiscan.com/VT/text/H0297/id/1036262/Vermont-2013-H0297-Chaptered.pdf>

Figure 2 shows the types of funds supported and the number of states providing support for each type of fund.



- 22 states have funds that specifically support high cost service. Of these states, 4, Georgia, Kansas, South Carolina, and Washington include support for intrastate access reduction reform in their high cost funds.
- 5 states, Alaska, Georgia, Michigan, New Mexico, and South Carolina, have funds dedicated specifically to intrastate access reduction reform. Alaska, Michigan, and New Mexico provide only IAS support; they do not provide other high cost support.
- 5 states support broadband deployment programs. This number will drop to 4 in 2015, with the cancellation of West Virginia's broadband fund.
- 29 states support Telecommunications Relay Service (TRS) via a specific TRS fund. 14 states support telecommunications equipment programs (TEP) for the hearing impaired. Other states, for example Illinois, provide support for relay service and equipment through a single program.
- 5 states have funds dedicated specifically to providing telecommunications support to schools and libraries (E-Rate). This category was not addressed in NRRI's 2012 survey.
- 17 states provide state support for Lifeline. This funding is in addition to the funding provided by the Federal Lifeline program.
- 4 states use universal service funds to support other public interest programs, including public payphones, hearing aids, and reading services for the blind.

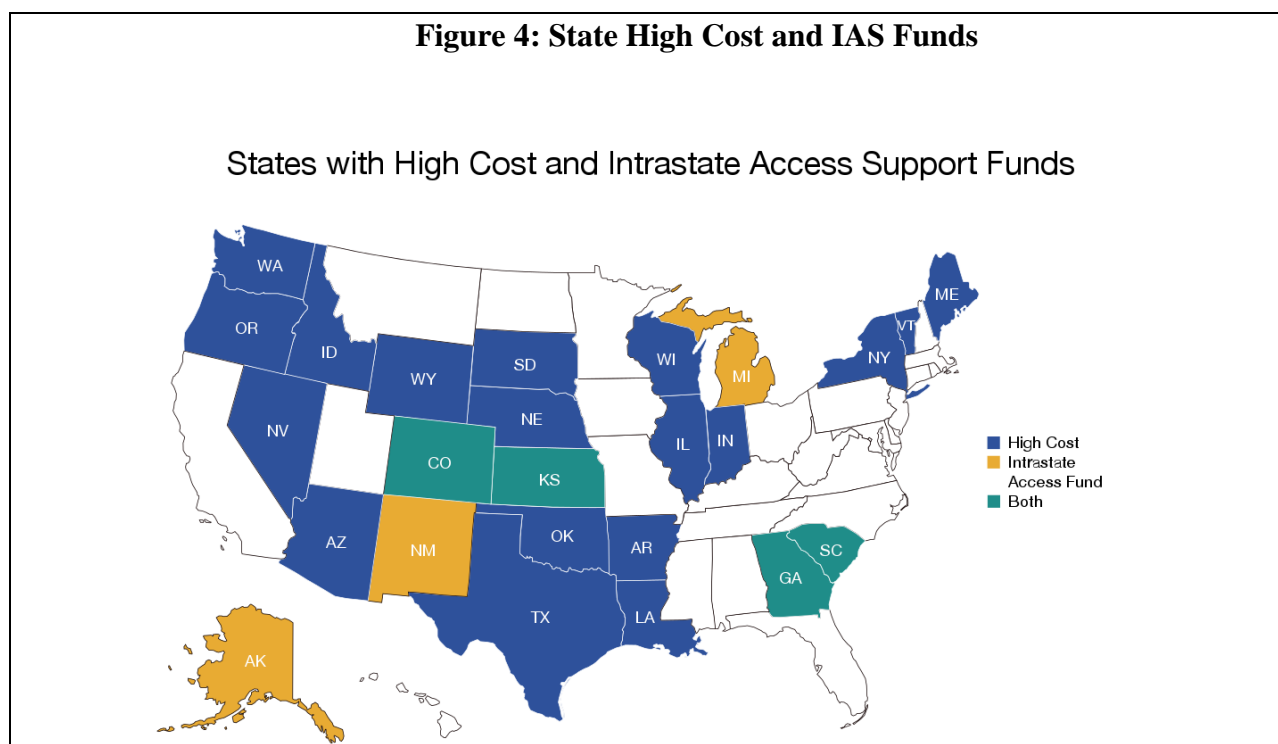
B. Changes in Fund Size: 2012-2014

State Universal Service program expenditures increased by 10% overall between 2012 and 2014. These increases were due primarily to increases in high cost funding in Arkansas and California and growth in broadband support and E-Rate support in California. State USF funding dropped in other states, primarily as a result of changes to the Lifeline program. We explore these changes below.

1. High Cost Support

Twenty-two states provide high cost support for carriers serving rural or remote areas. In the majority of states, support is limited to carriers of last resort (COLRs). The states that provide high cost support are shown on the map in Figure 4.

Figure 4: State High Cost and IAS Funds

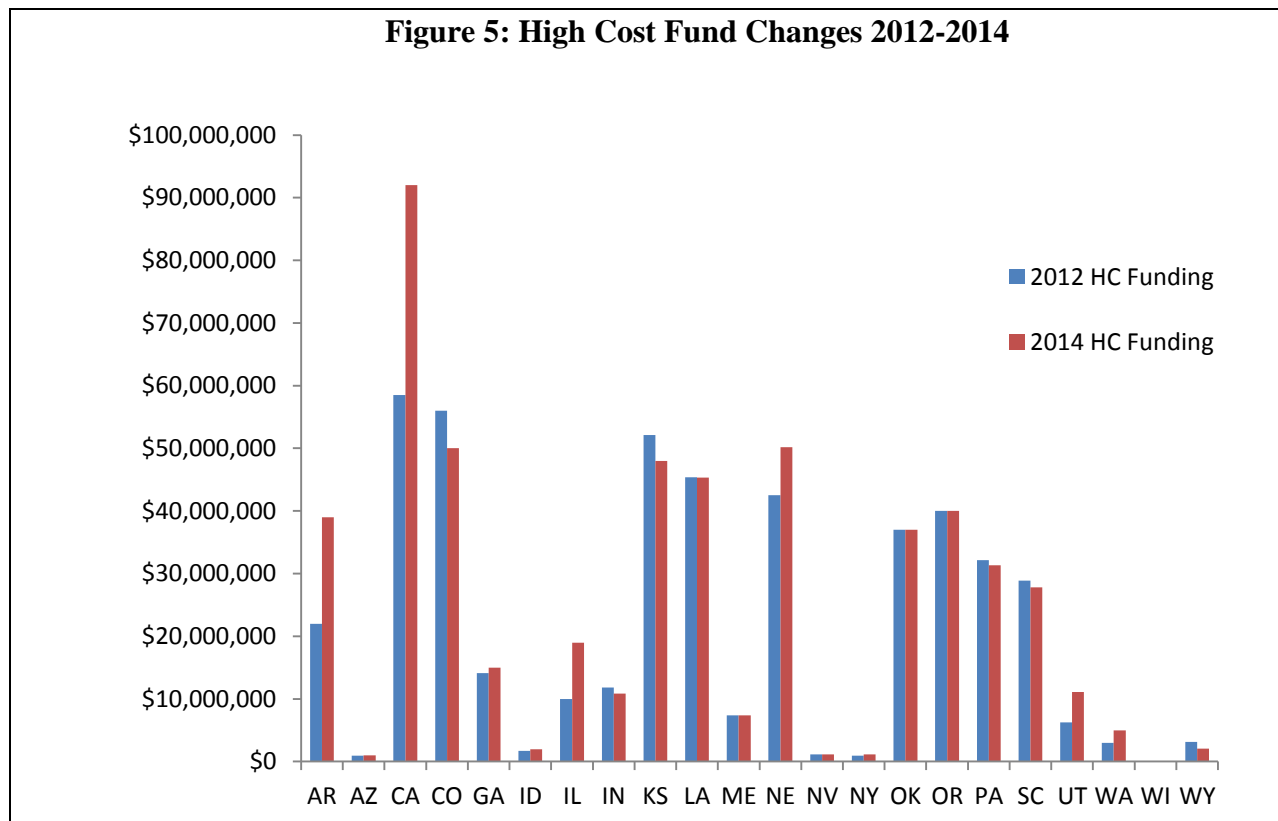


High cost funding grew by 13% between 2012 and 2014, from \$475,031,090 to \$536,273,785.²¹ The largest increases were in Arkansas, California, Illinois, Utah, and Washington.

²¹ High cost fund size is based on data reported by the states. The Texas fund is not included in this total, since funds are not specifically dedicated to any single program. Funding for Intrastate Access Reduction Support (IAS) in the three states that provide this support via specific IAS funds is reported separately.

High cost funding dropped in Colorado, Indiana, Kansas, Oregon, Pennsylvania, South Carolina, and Wisconsin. These states either reduced the subsidies provided to rural carriers or redirected these subsidies to areas without competition. Some of the change may also be attributed to changes in IAS support in states where the high cost fund supports both high cost service and access reductions.

Figure 5 shows the changes in high cost support between 2012 and 2014.



a. Increases in High Cost Funding

The Arkansas high cost fund increased by \$17,000,000, between 2012 and 2014, from \$22,000,000 to \$39,000,000. Arkansas increased its high cost contribution rate from 2% in 2012 to 5% in 2014. The Arkansas high cost fund provides support to one former regional Bell Operating Company (RBOC) and 24 incumbent local exchange carriers (ILECs). Support is calculated based on the loop costs developed by the National Exchange Carrier Association (NECA) each year. As loop costs increase, high cost disbursements increase proportionately.

California divides its high cost support into two funds. The California High Cost Fund A (CHCF-A) and the California High Cost Fund B (CHCF-B). The California high cost funds increased by 57% over the period, from \$58.5M in 2012 to \$92M in 2014. The increases were driven by changes to the state's high cost funds, as a result of a 2014 rulemaking.

The CHCF-A supports 10 of the state's 15 rural ILECs. These companies are carriers of last resort (COLRS) that provide service in high cost areas and are regulated under rate of return rules. The subsidy amount received by these companies is determined by using a 10% benchmark ROR and a \$20.25 per month cost of providing basic residential telephone service. Any earnings level below the 10% benchmark is made up through the CHCF-A subsidy.

The CHCF-B subsidizes large carriers providing service in high cost areas. The CHCF-B supports four carriers (AT&T and Verizon), two mid-sized carriers (Frontier and SureWest), and Cox (CLC). Each of these companies is a COLR in its service territory. Support is based on costs in excess of \$36.00 per access line in designated High Cost Fund B areas.

California revised the rules for CHCF-A during 2014 to allow small ILECs to

make additional draws from the California High Cost Fund-A Program in the event of a decrease in their federal subsidy where two criteria are met: (1) the Small Incumbent Local Exchange Carrier has mirrored the federal cap on per line expenses where possible, unless doing so would supplement high cost support, and (2) the Small Incumbent Local Exchange Carriers' investments meet the one network criterion of serving to support both voice and broadband deployment.²²

To qualify for subsidies, a small ILEC's basic residential service rate must be between \$30.00 and \$37.00, inclusive of all charges.

The Illinois high cost fund grew by \$8.9M between 2012 and 2014 (from \$10M to \$18.9M) due primarily to the addition of an intrastate access reform component. The IL contribution rate increased to 1.029% in 2014 from .40% in 2012. Illinois ILECs, CLECs, and IXCs contribute to the State USF.

Utah's High Cost funding increased by \$4.8M between 2012 and 2013, from \$6.2M in 2012 to \$11M in 2014. Utah's fund covers high cost support, intrastate access reform, and Lifeline. This increase was projected in the state's response to the 2012 NRRI survey and attributed to potential higher support costs.²³ Utah assesses carriers 1% of total gross state retail revenues to cover both the high cost and the Lifeline fund. It assesses carriers separately for TRS.

²² See CHCF-A Fund Rulemaking, D.14-12-084, Ordering Paragraphs 7 and 8, available at <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M143/K638/143638287.pdf>.

²³ Op. Cit, Lichtenberg, et. al., 2012 USF Survey

Washington's high cost funding includes support for intrastate access charge reductions as well as high cost service. Unlike other states, Washington's Universal Service is funded from the State's General Fund. The Washington fund grew from \$3M in fiscal 2012 to a projected \$5M in fiscal 2014 (June 2014 – July 2015). The 2012 USF fund was replaced by a new fund in 2014 as part of Dockets UT-131239. Other changes are forecast to the fund as a result of a currently open Rulemaking, Docket UT-140680. We discuss these Dockets in Part V of this paper, Current USF Legislation.

b. Decreases in High Cost Funding

High cost funding decreased slightly in Colorado, Indiana, Kansas, Louisiana, Oregon, Pennsylvania, South Carolina, and Wyoming between 2012 and 2014.

Both Colorado and Kansas reduced their high cost funds as a result of legislation.

Colorado's high cost fund was reduced by approximately 10% (from \$56M in 2012 to \$50M in 2014) as a result of legislation passed in 2014. House Bill 1328 grants high cost support only to those areas determined to be without "effective competition." The funds made available by this decision will fund broadband projects in rural areas of the state where there is no broadband penetration.²⁴ House Bill 1328 granted authority to the State Commission to transfer high cost funds to the newly created Broadband Fund "if it determines [those funds] are no longer required by the HCSM to support universal basic service through an effective competition determination."²⁵

Kansas reduced its high cost funding by approximately 7% between 2012 and 2014, dropping from \$52M to \$48M. USF support for competitive ETCs has been capped at current levels and will be reduced by 20% yearly until it is eliminated completely in 2018.

Kansas also reduced support for ILECs at the beginning of 2013. In addition, it removed support for deregulated carriers (AT&T) and capped the support provided to CenturyLink at

²⁴ See CO HB 1328, available at http://www.leg.state.co.us/clics/clics2014a/csl.nsf/fsbillcont3/1E390935433C251F87257C620063CC4A?Open&file=1328_rev.pdf; CO HB 1329, available at <http://legiscan.com/CO/text/HB1329/id/1015298/Colorado-2014-HB1329-Amended.pdf>; CO HB 1330, available at <http://legiscan.com/CO/text/HB1330/id/1007380/Colorado-2014-HB1330-Engrossed.pdf>; and CO HB 1331, available at http://www.leg.state.co.us/clics/clics2014a/csl.nsf/fsbillcont3/4034ECA181A3A0D587257C9B00794391?open&file=1331_01.pdf

²⁵ Id. HB 1328

\$11.4M year. Rural support was modified to eliminate support for federal USF changes and capped at \$30M.²⁶

2. Intrastate Access Reform

Intrastate access restructuring/reform funds (IAS) provide support to carriers to cover lost revenue from restructuring rates to bring intrastate access charges into alignment with interstate charges. Five states, Alaska, Georgia, Michigan, New Mexico, and South Carolina, have funds dedicated specifically to access reform.²⁷ 2014 IAS disbursements totaled \$94,814,754. This total increased only slightly (\$4M) over the 2012 disbursement level.

Michigan's fund was modified in 2014 to resize the amounts provided to carriers. The FCC USF Transformation Order changing terminating access to a "bill and keep" arrangement superseded the Michigan IAS Order and resulted in some reductions in the fund. The originating access rules remain in place. In addition, Public Act 52 (2014) requires the MPSC to reduce the amount disbursed to an eligible provider that discontinues service in an exchange on a pro rata basis. The Act also requires the Commission to report any double recovery of access restructuring monies from federal funds (Connect America Fund or Access Recovery Charge) to the legislature. There have been no double recoveries to date. The Michigan Access Recovery Fund will be resized again in 2018.²⁸

New Mexico also made changes to its IAS Fund. In New Mexico, a December 2013 order established a 3% surcharge cap on High Cost Funding for 2014 and reduced IAS payments by updating the formula used to compute support. The Commission also developed a process for individual ETCs to apply for IAS support based on need.²⁹

3. Broadband Funding

In 2014, 6 states (California, Colorado, Delaware, Maine, Nebraska, and West Virginia) had funds specifically designated to support broadband deployment and adoption.³⁰ Four states,

²⁶ Kansas Telecommunications Act, HB2201, 2013, available at <https://legiscan.com/KS/text/HB2201/id/819606/Kansas-2013-HB2201-Enrolled.pdf>

²⁷ Other states include IAS in their general high cost fund.

²⁸ Michigan Act 52, Michigan Telecommunications Act Revisions, available at https://www.michigan.gov/documents/mpsc/MTAsummary_453136_7.pdf

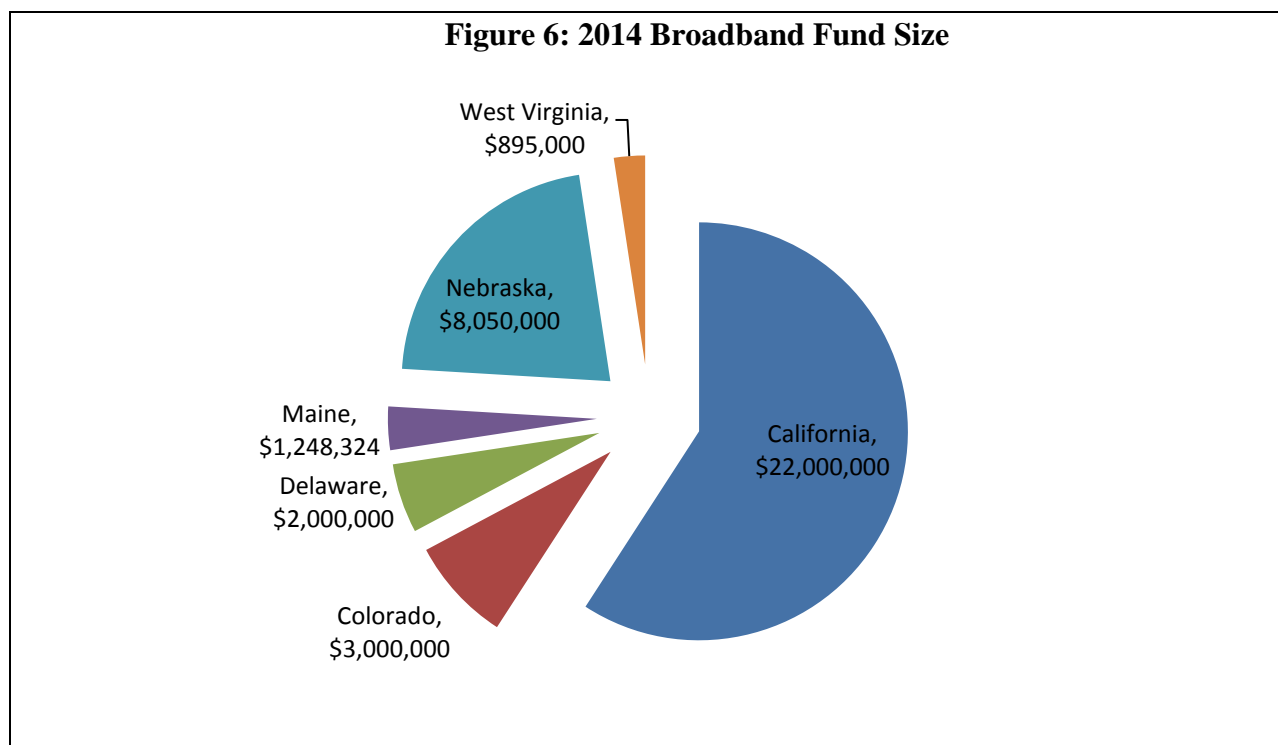
²⁹ See New Mexico Public Regulatory Commission Docket # 12-00380, available at <http://nmprc.state.nm.us/index.html>

³⁰ The West Virginia broadband fund was cancelled on 12/31/2014. We include it here for completeness. A new fund was established as part of West Virginia Senate Bill 488, available at https://legiscan.com/WV/text/SB488/id/1171587/West_Virginia-2015-SB488-Enrolled.html. A decision on funding is still pending.

California, Maine, Nebraska, and West Virginia had funds in 2012. Two states, Colorado and Delaware, added broadband funds in 2014.

Broadband funding totaled \$32,945,000 in 2014, up from \$13,300,000 in 2012. This increase was driven by the two states that added funds, as well as significant growth in broadband funding in California.

Figure 6 shows the states with broadband funds and the amount of funding per state.



The California Advanced Services fund (CASF) increased from \$3M in 2012 to \$22M in 2014. This change drove a 62% increase in the value of the broadband fund. The California Advanced Services Fund provides grants and loans for broadband deployment. The grants range from 60% of infrastructure costs for underserved areas to 70% for unserved areas. The program does not cover on-going operations and maintenance costs. The loan program was implemented in 2012. The CASF originally provided support only to certificated telecommunications companies (ILECs, CLECs, and IXC). Senate Bill 740, enacted in 2014, expanded the program to include non-telephone corporations, including municipal utilities.

Colorado established a broadband fund in 2014 using monies originally designated for high cost support in areas subsequently deemed to be "competitive" and thus no longer requiring high cost subsidies. HB 14-1328 created the fund and established an "independent board . . . to

implement and administer the deployment of broadband service in unserved areas from the fund.”³¹ The Colorado broadband fund includes

Moneys allocated from the high cost fund to provide access to broadband service through broadband networks in unserved areas pursuant to [the rules defined by the Commission to implement HB 14-1328.] transfer[ing] to the broadband deployment board only the moneys that it determines are no longer required by the HCSM to support universal basic service through an effective competition determination.³²

Delaware also established a new broadband fund in 2014. The Delaware broadband fund was expected to provide up to \$2M for broadband projects in 2014.

Nebraska nearly doubled the size of its broadband fund in 2014, increasing it from \$4M in 2012 to \$8,050,000 in 2014. The broadband program is a grant program which will award approximately \$8M in funding for broadband capital construction and \$0.5 million for broadband adoption programs in 2015. Funding for broadband capital construction projects will be awarded based upon factors included in the NUSF-77 order.³³

Broadband funding in Maine remained relatively the same between 2012 and 2014, increasing just \$51,000 to \$1,248,324 in 2014.

West Virginia's broadband funding decreased from \$5M in 2012 to \$895,000 in 2014. The West Virginia broadband fund disbursed all support and was cancelled at the end of 2014. Legislation passed in 2015 will establish a new West Virginia Broadband Council to increase broadband access throughout the state. The Council has not yet been funded.³⁴

³¹ Section 40-15-509.5(5)(a), C.R.S.

³² Id. §40-15-208 (2)(a) (I) (B)."

³³ See Nebraska Public Service Commission, In the Matter of the Petition of the Nebraska Telecommunications Association for Investigation and Review of Processes and Procedures Regarding the Nebraska Universal Service Fund, Application No. NUSF-77, Progression Order No. 5, November 21, 2011

³⁴ See West Virginia Senate Bill 488 available at https://legiscan.com/WV/text/SB488/id/1171587/West_Virginia-2015-SB488-Enrolled.html

4. Lifeline

Lifeline, which provides a bill credit to low income consumers, represents the second largest spending category for state universal service funds. Lifeline spending was \$199,257,711 in 2014, down from \$257,254,511 in 2012.³⁵

Eighteen states have specific state Lifeline funds. These states are California, the District of Columbia, Idaho, Kansas, Kentucky, Minnesota, Missouri, Nevada, New Mexico, New York, Nebraska, Oklahoma, Oregon, South Carolina, Vermont, Washington, Wisconsin, and Wyoming,

Utah includes Lifeline in its High Cost Fund rather than maintaining a separate fund. Nebraska has a state Lifeline fund but did not report a figure for expenditures in 2014.

Total Lifeline expenditures have decreased as a result of changes to the Federal Lifeline program to limit fraud and abuse by ensuring that recipients can have only one Lifeline account.

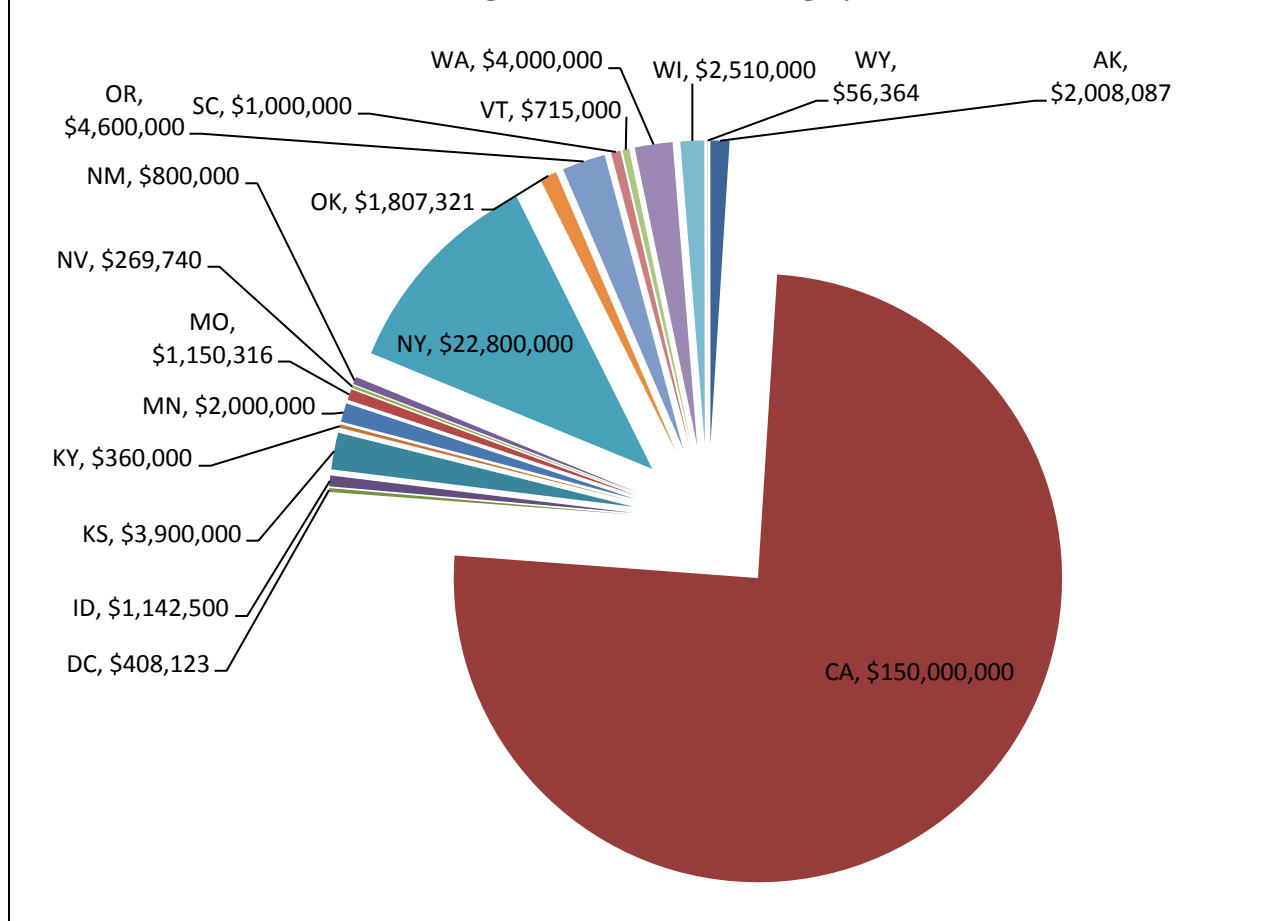
California represents the bulk of Lifeline spending at \$150M, down \$40M from 2012. California expanded its Lifeline program in 2014 to include wireless and some VoIP providers. All local telephone companies that offer residential voice grade telephone in California are required to offer California Universal Lifeline Telephone service. The support amount is capped at \$11.50. This amount is based on the retail price of basic residential telephone less the Federal lifeline subsidy.³⁶

Figure 7 shows Lifeline funding by state.

³⁵ This total includes only those states that reported a dollar value for Lifeline spending. Nebraska and Utah did not report separate spending amounts for Lifeline. Utah includes Lifeline funding in its High Cost Fund.

³⁶ See CPUC_Order Modifying Decision (D.) 14-01-036, And Denying Rehearing of Decision, as Modified, available at <http://docs.cpuc.ca.gov/publisheddocs/published/g000/m099/k887/99887806.pdf>

Figure 7: Lifeline Funding by State



Lifeline expenditures have also decreased as a result of limitations on state funding support and, in some states, fewer program participants.

Idaho reduced its Lifeline funding from \$3.50/month to \$2.50/month in 2014.

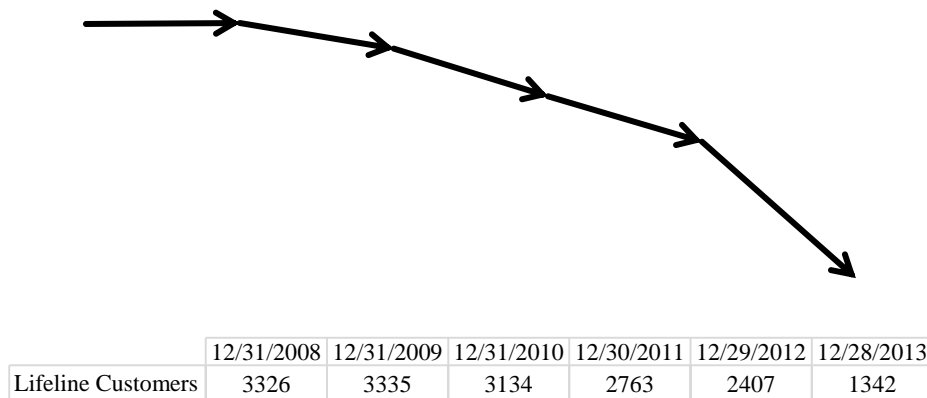
In Wyoming increasing declines in the number of consumers participating in the program have reduced the need for State funding. Figure 8 shows the decline in Wyoming's Lifeline participants between 2008 and 2013.³⁷ Wyoming's Lifeline Fund is repealed as of July 1, 2015.³⁸

³⁷ Data provided by Thomas Wilson, Wyoming Public Service Commission

³⁸ Op. cit. Wyoming HB 37

Figure 8: Wyoming Lifeline Customers

Wyoming Lifeline Customers



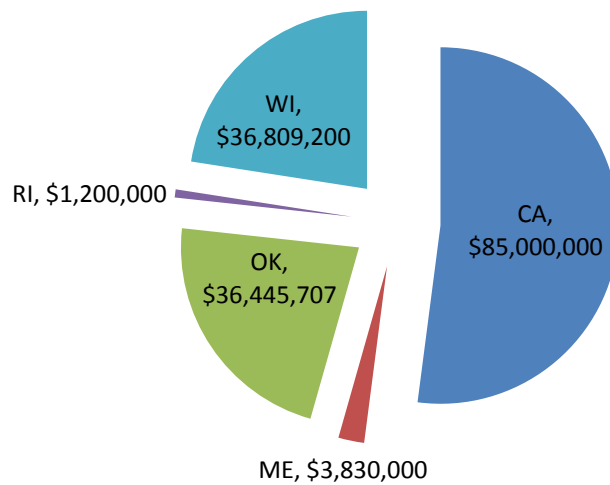
5. Schools and Libraries (E-Rate) Fund

Five states, California, Maine, Oklahoma, Rhode Island, and Wisconsin, have funds specifically designed to support telecommunications and broadband services for schools and libraries. These funds totaled \$163,284,907, in 2014, an increase of \$103,184,907 over the \$60,100,000 in funding reported in 2012.³⁹

Figure 9 shows 2014 E-Rate funding by state.

³⁹ NRRI's 2012 USF survey included KAN-ED, a Kansas state fund to support schools and libraries. KAN-ED was funded separately from the Kansas Universal Service Fund (KUSF). Funding from the KUSF was sunset June 30, 2013, via the Kansas Legislature's passage of Senate Bill 294. KAN-ED received \$3,749,909 for the State fiscal year ending June 30, 2013. Four months' (March – June 2013) of that funding (\$1.25M) was included in that year's KUSF funding level and reported in NRRI's 2012 review of state USF funds. See, Lichtenberg, Sherry, Ph.D., et. al., *Survey of State Universal Service Funds 2012*, National Regulatory Research Institute, Report 12-10, July 2012, available at <http://communities.nrri.org/documents/317330/e1fce638-ef22-48bc-adc4-21cc49c8718d>

Figure 9: E-Rate Funding by State



California saw the largest increase in funding, from \$13.1M in 2012 to \$85M in 2014. The California Teleconnect Fund (CTF) provides a 50% discount on select communications services to schools, libraries, hospitals, and other non-profit organizations.⁴⁰ As of January, 2013, the CTF program had over 7,000 participants including schools, libraries, and Community-Based Organizations (CBOs). CBO participation was expected to increase as a result of an outreach program for CBOs and government health care entities. CBOs that provide job training, job placement, 2-1-1 information and referral, health care, educational, or community technology program services qualify for CTF discounts.⁴¹ The CPUC continues to review how E-Rate funding should be distributed.

Maine also increased its E-Rate funding, which grew from \$1,800,000 in 2012 to \$3,830,000 in 2014.

Funding in Rhode Island and Wisconsin did not change between 2012 and 2014.

⁴⁰ See California Teleconnect Fund Brochure, Available At <http://www.cpuc.ca.gov/NR/rdonlyres/BC29DF98-FEBB-4FF9-9269-1CAC512AD736/0/CTFBrochureWebVersionJuly2014.pdf>

⁴¹ California Public Utility Commission, Order Instituting Rulemaking to Conduct a Comprehensive Examination of the California Teleconnect Fund, Rulemaking 13-01-010, 1/31/2013, available at <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=47295862>. This proceeding remains open to consider changes required to the program surcharge.

6. Telecommunications Equipment Program (TEP)

TEP funds assistive devices for the hearing, speech, and visually impaired. This equipment includes TTY devices, caption telephone equipment, and, in some states, tablets and other devices that enable the deaf and hard of hearing to communicate. Fifteen states have equipment funds--California, Georgia, Illinois, Iowa, Kansas, Kentucky, Maine, Minnesota, New Hampshire, Oregon, Rhode Island, South Carolina, Washington, Wisconsin, and Wyoming. The Oregon and Washington funds include expenditures for Telecommunications Relay Service as well as TEP.

TEP funding remained nearly flat over the two-year study period, growing only from a reported \$46,578,421 in 2012 to \$46,914,499 in 2014.

Legislation introduced in Georgia and Rhode Island in 2015 will add additional types of equipment to the funds as well as broaden program eligibility.

In Georgia, HB 201 would expand the types of equipment covered by the program to include wireless devices and applications in order to "ensure universal access to information by blind and otherwise print disabled citizens of th[e] state." HB 201 would also increase program eligibility by eliminating a current provision that limited TEP funding only to persons with incomes below 200% of the poverty level.⁴² Finally, a pilot program being administered by the Georgia Council for the Hearing Impaired will test the distribution of iPads with specialized applications for Video Relay Service, Captioned Relay Service, and other software to deaf, blind, deaf-blind, and hard of hearing consumers to provide "functional equivalency".⁴³

Legislation introduced in Rhode Island (H.B. 5685) would add wireless phones to the State's equipment loan program for persons who are deaf, hard-of-hearing, severely speech impaired, or have neuromuscular impairments.⁴⁴

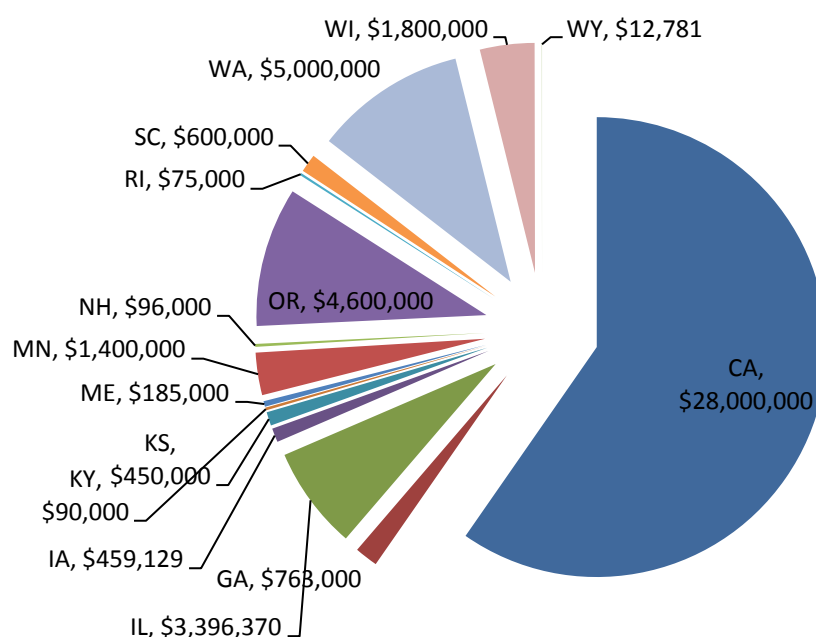
Figure 10 shows the states that provide funding for assistive telecommunications equipment.

⁴² See Georgia House Bill 201, available at https://legiscan.com/GA/text/HB201/id/1171521/Georgia-2015-HB201-Comm_Sub.pdf

⁴³ See Georgia Public Service Commission, Georgia Council for the Hearing Impaired, iPad brochure, available at gachi.org

⁴⁴ Rhode Island Senate Bill 5685, an Act Relating To Public Utilities and Carriers -- Public Utilities Commission--Information Accessibility Service for Persons with Disabilities, available at https://legiscan.com/RI/text/H5685/id/1143720/Rhode_Island-2015-H5685-Introduced.pdf

Figure 10: TEP Funding by State



7. Telecommunications Relay Service (TRS)

TRS provides telephone accessibility to persons who are deaf, deaf-blind, hard of hearing, or speech disabled. A specially trained communications assistant facilitates the telephone conversation between a person who has hearing loss or a speech disability and the person with whom they wish to speak.

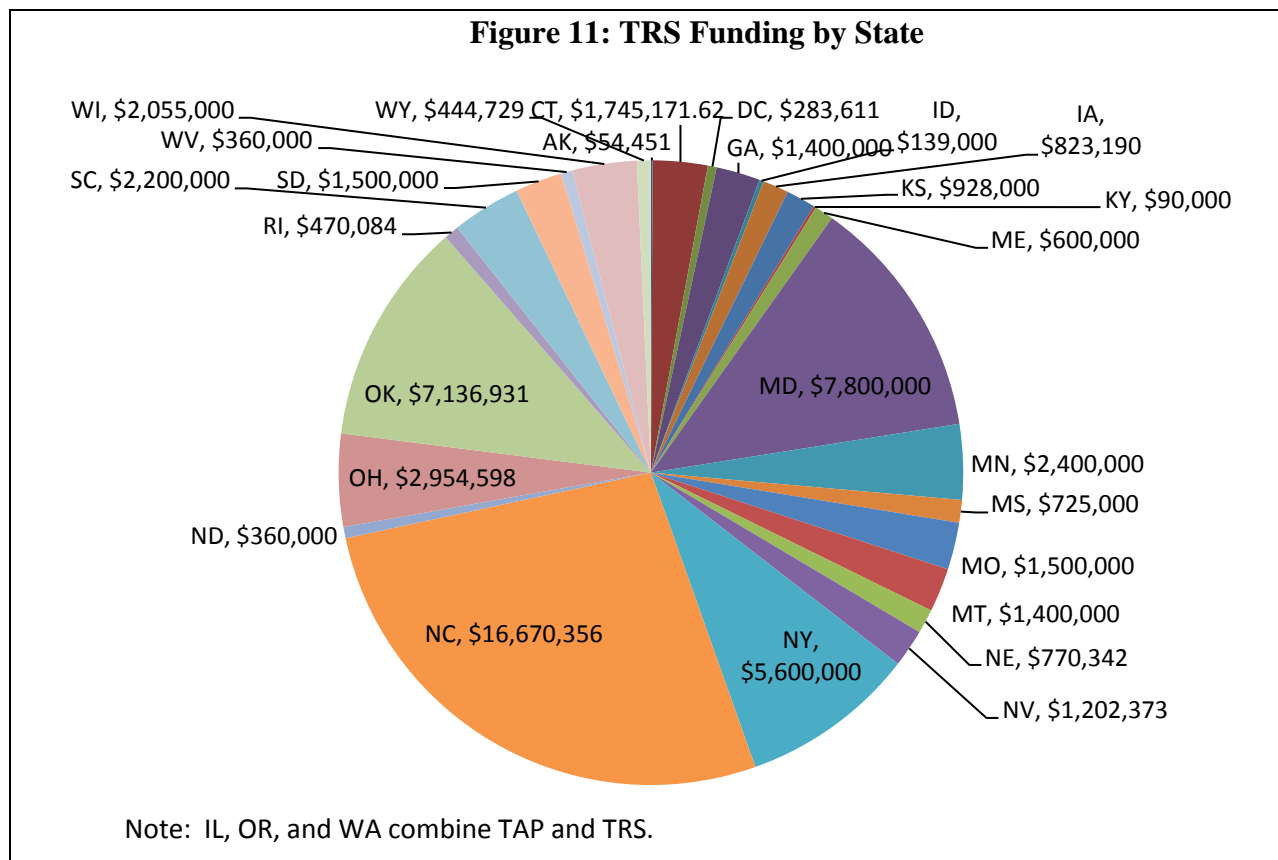
When using traditional TRS, the person with hearing loss uses a teletypewriter (TTY) to communicate with the communications assistant at the relay center, who will then converse with the hearing individual. In some states, TRS funds include support for captioned telephone service where the text of the communication is displayed on specialized equipment; speech to speech (STS) where a person has difficulty speaking or being understood; relay in other languages, such as Spanish; and video relay (where a user may use sign language to communicate via the communications assistant). TRS is required by Title IV of the Americans with Disabilities Act and to the extent possible must be "functionally equivalent" to standard telephone service.⁴⁵

⁴⁵ Consumers' Guide to Telecommunications Relay Service (TRS), available at www.fcc.gov/cgb/dro/trs/con_trs.html

TRS funding has remained nearly flat over the period. Twenty-nine states have discrete TRS funds totaling \$86,868,607. Three states, Illinois, Oregon, and Washington, include TRS funding in their TEP funds.

North Carolina has the largest fund, at \$16,670,356. North Carolina assesses both wireline and wireless carriers. 2014 funding increased from \$10,831,459 in 2012 to \$16,670,356 in 2014 due to an increase in the assessment rate from \$0.11 in 2012 to \$0.13 in 2013.⁴⁶

Figure 11 shows TRS funding by state.



8. Other Funds

Nine states (AK, GA, ME, MN, NE, RI, SC, VT, and Wisconsin) use universal service funds to support other public welfare services. This funding totaled \$25,512,292 for 2014, down slightly over \$11,000,000 from 2012.

⁴⁶ North Carolina did not report on the size of its TRS fund in NRRI's 2012 USF survey.

Table 1 shows the distribution of other support funds by state.

Table 1: Other USF Funds

State	Project	2014 Funding
Alaska	Public Access Payphones, Dial Equipment Minutes (DEM)	\$1,457,292
Georgia	Hearing Aids	\$797,000
Maine	Public Access Payphones	\$50,000
Minnesota	News for the Blind/Closed captioning/Commission of Deaf, Deaf-Blind and Hard of Hearing Minnesotans	\$1,640,000
Nebraska	Telehealth	\$900,000
Rhode Island	News For the Blind	\$40,000
South Carolina	Closed captioning	\$500,000
Vermont	E911	\$5,000,000
Wisconsin	Telehealth	\$1,000,000

Alaska and Maine fund the placement of payphones in public areas like courthouses, post offices, and other areas accessible to those who need to make calls but do not have home phones or cell phones. Funding for public access payphones continues to be an important function of the state universal service fund, despite the availability of Lifeline service.

Georgia and Rhode Island provide services that read information, generally the newspaper or other news materials, to the blind. The Georgia Audible Universal Information Access Service (AUIAS) provides blind and print disabled citizens the opportunity to listen to newspapers and magazines by calling a toll free number and entering a PIN. Rhode Island provides a similar service.

Georgia's State Universal Service Fund also provides hearing aids to citizens who cannot otherwise afford them.

Minnesota also uses its TRS funds to support rural real time closed-captioning of certain local television news programs. The Accessible News for the Blind program provides electronic information) for the blind and disabled. The Commission of Deaf, Deaf-Blind and Hard-of-Hearing Minnesotans receives funding for operational expenses, to provide information on their Web site in American Sign Language, and to provide technical assistance to state agencies. The Office of Enterprise Technology receives funding to coordinate technology accessibility and usability. The Legislative Coordination Commission receives funding to be used for captioning of live streaming of legislative activity on the LCC's Web site.

South Carolina funds closed captioning so that hearing impaired citizens may watch television.

Nebraska and Wyoming fund "telehealth" services similar to those funded by the FCC's Telemedicine fund. Funding for telehealth services may increase in the states as the rules for such programs become more flexible.

Finally, Vermont uses state USF funds to support E911.

IV. State Fund Contributors and Recipients

State Universal Service Fund (SUSF) support is a key factor in ensuring that all citizens have access to critical communications services as well as in expanding the availability of broadband, particularly in rural areas. Through state high cost funds, SUSF also ensures that rural companies are given the time and support necessary to meet the challenges of a changing telecommunications landscape. Both State and federal contributions are passed on to end users via surcharges on their bills. For this reason, a stable contribution plan that includes as many types of providers as possible is a key factor in the success of universal service support. Contribution levels that are too high penalize consumers for the services they buy and may drive them to use alternative services that do not pay into the fund. Contribution levels that are too low reduce the funds available to support key public interest programs.

The Federal USF relies on funds contributed by wireline, wireless, and interconnected VoIP carriers. The Federal USF assesses all providers similarly, at a flat percentage rate, 17.4% for 2Q2015. This rate is adjusted quarterly and has risen steadily since the fund's inception.⁴⁷ Fund recipients must be Eligible Telecommunications Carriers (ETCs) and provide service in high cost areas. The USF Transformation Order will require these providers to include broadband in the services they offer.⁴⁸

In contrast to the Federal fund, State USF funding includes a broad range of contributors, including, in some cases, over the top VoIP carriers, cable providers, and others.⁴⁹

Table 2 summarizes contributors and the basis for contribution by state. We describe the state contribution and disbursement mechanisms in the following paragraphs. Responses by state appear in Appendix A.

⁴⁷ See Federal Communications Commission, *In the Matter of the Universal Service Contribution Methodology, Further Notice of Proposed Rulemaking*, April 27, 2012, WC Docket No. 06-122

⁴⁸ *USF/ICC Transformation Order and FNPRM*, 26 FCC Rcd

⁴⁹ At this time, no state assesses broadband internet service providers.

Table 2: State Fund Summary

State	Who is Assessed?								On What Basis?			
	Landline	Wireless	VoIP	Cable	IXCs	Paging	End Users	Other	Intrastate Revenues		Per Line	Other
									Gross	Net		
AL												
AK	X	X			X	X	X		X			
AZ	X	X	X	X	X	X			X		X	
AR	X	X	X	X	X				X			
CA	X	X	X				X				X	
CO	X	X			X	X			X			
CT	X	X			X				X			
DC	X		X	X					X			
DE	X				X				X			
FL												
GA	X		X	X			X	X	X			
HI												
ID	X				X						X	X (4)
IL	X				X					X		
IN	X	X			X					X		
IA	X	X			X				X			X (5)
KS	X	X	X	X	X	X				X		
KY	X	X	X	X							X	
LA	X	X	X	X	X				X			
ME	X	X	X	X	X					X		
MD	X	X	X	X	X						X	
MA												
MI	X	X			X			X		X		
MN	X	X	X	X	X	X					X	
MS												
MO	X			X	X							X
MT							X				X	
NE	X	X	X	X	X	X				X		
NV	X	X	X	X						X		
NH	X			X							X	
NJ												
NM	X	X		X		X				X		
NY	X		X (1)	X						X		
NC							X				X	
ND	X	X									X	
OH	X	X	X	X	X	X						X

State	Who is Assessed?								On What Basis?			
	Landline	Wireless	VoIP	Cable	IXCs	Paging	End Users	Other	Intrastate Revenues		Per Line	Other
									Gross	Net		
OK	X	X	X	X	X	X			X			
OR	X	X	X (2)		X		X		X		X	
PA	X				X			X		X		
RI							X				X	
SC	X				X		X					X (6)
SD	X	X			X	X	X				X	
TN												
TX	X	X			X	X			X			
UT	X	X		X (3)	X				X			
VT							X				X	
VA												
WA								X				X (7)
WV								X				
WI	X	X	X	X	X				X			
WY	X	X		X	X	X			X			

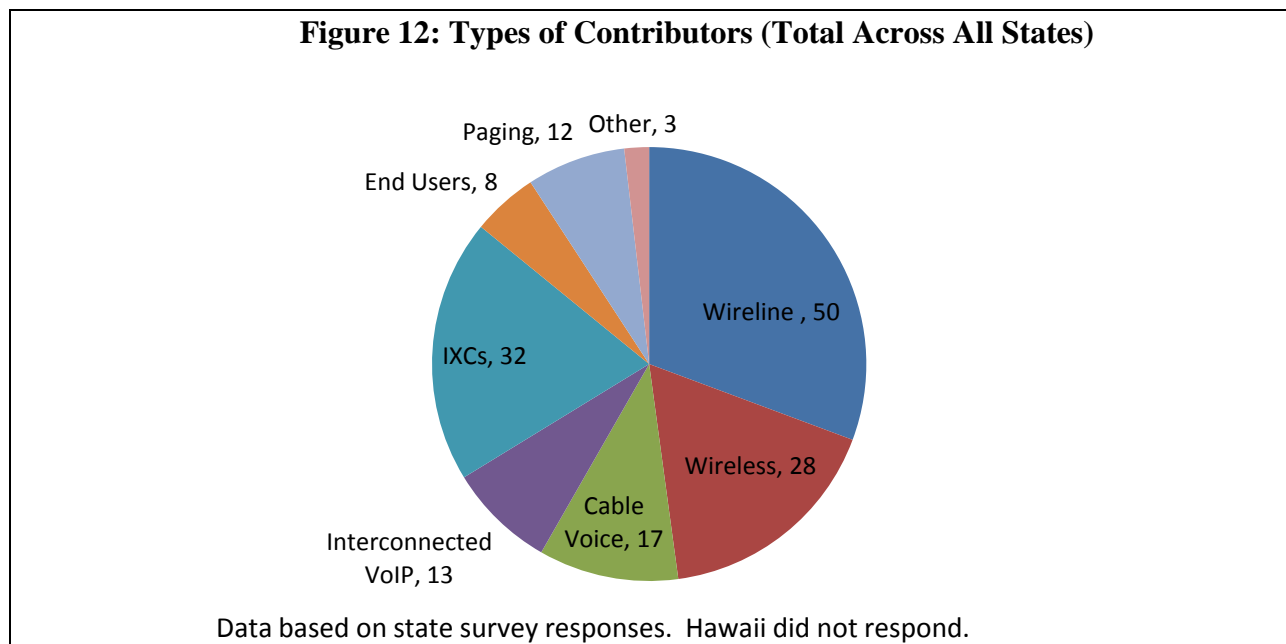
Notes:

- (1) NY: I VoIP provider contributes voluntarily
- (2) OR: VoIP providers contribute voluntarily
- (3) UT: 1 cable company contributes voluntarily
- (4) ID: Contribution differs by program
- (5) IA: Wireless contribution by assigned number
- (6) SC: Wireline: Retail rev., Relay per line, IAS allocated from prior year
- (7) WA: Allocation from State general fund

A. State USF Contributors

Contributors to the State USF are defined by state law and vary by state.⁵⁰ In the majority of states, assessment levels differ by type of fund and, in some cases, by type of provider or service offered (e.g., business line versus residential line). The basis for contributions (for example, net intrastate retail revenues) also differs by state.⁵¹

Figure 12 shows the number of different types of providers that contribute to state funds.



All 50 states that responded to the NRRI survey assess wireline carriers, including CLECs. More than half of the states (32) assess IXCs. Over half of the respondents (28) assess wireless providers. Seventeen states assess cable voice providers, while 13 states also assess non-cable interconnected VoIP providers. Eight states assess end users. Twelve states assess paging companies.

Maine assesses wireless providers for the High Cost and E-Rate funds, but support from wireless carriers for the broadband fund is voluntary.

⁵⁰ South Carolina is considering broadening the contribution base by adding additional provider types. See South Carolina Senate Bill 277, available at https://legiscan.com/SC/text/S0277/id/1144797/South_Carolina-2015-S0277-Comm_Sub.html. SB 277 would require VoIP and wireless providers to contribute to the State USF fund.

⁵¹ The Federal USF assesses carriers based on net interstate retail revenues.

Washington funds universal service through the state's general fund, eliminating the need for individual contributions.

In some states, cable and other interconnected VoIP providers contribute voluntarily. Voluntary contributors include one VoIP provider in New York and one cable company in Utah, as well as some VoIP providers in Oregon.

Indiana's response to the survey provides insight into the reason that VoIP providers in that state (and perhaps others) contribute to the State fund voluntarily.

Indiana assesses only telecommunications revenues and VOIP has not been classified as a telecommunications service. However, some providers that use VOIP technologies have been classified as telecommunications providers in their authorization to provide communications services. In these cases, the companies are expected to contribute to the IUSF.⁵²

Finally, in addition to assessing these traditional providers, Georgia assesses payphone providers and inmate services providers, and Pennsylvania assesses competitive access providers.

Table 3 shows contributors by state.

⁵² Email from Sally Getz, Senior Utility Analyst, Indiana Utility Regulatory Commission, 3/30/2015

Table 3: Types of Contributors by State

Provider Type	# States	States
Wireline (ILECs, CLECs)	50	All respondents
Wireless	28	Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Oklahoma, South Dakota, Texas, Utah, Wisconsin, Wyoming
Cable	17	Arkansas, Arizona, DC Georgia, Kansas, Kentucky, Maine, Maryland, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, Ohio, Oklahoma, Wisconsin, Wyoming
Interconnected VoIP	13	Arkansas, Arizona, California, DC, Georgia, Kansas, Louisiana, Minnesota, Nebraska, Ohio, Oklahoma, Oregon, Wisconsin
IXCs	32	Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, DC, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Missouri, Nebraska, Nevada, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Wisconsin, Wyoming
End Users (direct contribution/not revenue based)	8	Alaska, Georgia, Mississippi, Montana, North Carolina, Rhode Island, South Carolina, Vermont
Paging	12	Alaska, Arizona, Colorado, Kansas, Michigan, Nebraska, New Mexico, Ohio, Oklahoma, South Dakota, Texas, New York
Other	3	Georgia, Pennsylvania, Washington

B. Basis for contribution

The Federal USF assesses providers based on a percentage of interstate and international revenues. There is a single assessment rate, set quarterly, based on funding requirements and collections over the previous period. This rate has been rising over time as line counts and assessable revenues decline.

In contrast to the federal "one size fits all" methodology, the states assess multiple revenue streams depending on funding requirements, the type of contributor, and the type of fund

supported. To receive funds, providers must meet specific requirements, including serving as a carrier of last resort (COLR) and providing service in areas without effective competition.

The states use four assessment methodologies (1) gross intrastate retail revenues, (2) net intrastate retail revenues, (3) per line surcharges, and (4) direct funding from the state's general fund. Washington funds its USF programs from the general fund. Louisiana sets its contribution rate yearly based on the number of lines in service and the revenue from the previous year. Kentucky collects for its TRS fund only when the fund balance drops and replenishment is necessary.

Table 4 shows the revenues assessed by state.

Table 4: Revenues Assessed by State

Revenues Assessed	Number of States	States
Gross intrastate retail revenues	15	Alaska, Arkansas, California, Colorado, Connecticut, DC, Georgia, Iowa, Louisiana, Oklahoma, Oregon, Texas, Utah, Wisconsin, Wyoming
Net intrastate retail revenues	12	Illinois, Indiana, Kansas, Maine, Michigan, Missouri, Nebraska, Nevada, New Mexico, New York, Pennsylvania, South Carolina
Charge per access line/trunk	15	Arizona, Idaho, Kentucky, Maryland, Minnesota, Mississippi, Montana, New Hampshire, North Carolina, North Dakota, Ohio, Rhode Island, South Dakota, Vermont, West Virginia
Direct state funding	1	Washington

C. Contribution Rates by Fund

The states use a variety of rate structures to fund state universal service. Nearly half of the states with State USF funds (21) use a single rate for all funds. Fifteen states collect contributions depending on the type of fund supported; for example, assessing one rate for the high cost fund and a different rate for TRS. Three states, Arizona, California, and Iowa, base their assessments on categories of revenue.

We discuss these methodologies below. Details by state are included in Appendix C.

1. Fund specific rates

In 17 states, collection differs depending on the type of fund supported. For example, TRS and TEP are generally funded by a per line charge, while the high cost fund will have a

fund-specific rate. In addition, in some states, the charge per line is different for residential and business lines. Surcharges for defined programs like TRS also vary depending on the amount required to provide support. For example, Alaska uses a single contribution rate for its intrastate access support (IAS) fund and its public interest payphone program but charges a different rate for TRS and Lifeline. Colorado, Georgia, Illinois, Kentucky, Minnesota, Nevada, Oregon, Rhode Island, South Carolina, Utah, and Wyoming use a similar methodology. Louisiana collects for its TRS fund only when required to keep the fund at the level necessary to provide service. For this reason, Louisiana did not assess for TRS in FY 2014.

Other states, such as Idaho and Oklahoma base provider contributions on both the type of program being funded and the type of service assessed. In Idaho, for example, carriers are assessed \$.16 per residential line and an additional \$.006 per billed long distance minute for the High Cost Fund. For Lifeline, carriers are assessed \$.03 per local exchange line. For TRS, they are assessed \$.02 per local exchange line and \$.002 per minute of long distance usage.

Oklahoma uses an even more specific structure. Although Oklahoma bases its assessments on total gross state retail revenues, it assesses different revenue streams differently and varies that assessment by program. Oklahoma law provides that

The amount of contribution required from each telecommunications carrier shall be based on: total retail-billed Oklahoma intrastate telecommunications revenues, from both regulated and unregulated telecommunications services, of the telecommunications carrier as a percentage of all telecommunications carriers' total retail-billed intrastate telecommunications revenues, from both regulated and unregulated telecommunications services, for the 12-month period identified by the Administrator or contracted agent.⁵³

To that end, Oklahoma assessed IXC's \$.04652393 per IntraLATA toll minute of use and \$.03117256 pre InterLATA toll minute of use for the High Cost Fund. The assessment for Lifeline, Link-up, E-rate, and Telemedicine was .64% of gross state retail revenues from July 2014 to October 2014, increasing to 2.16% from November 2014 to July 2015. In addition, Oklahoma collects \$.05 per access line per month for TRS.

2. Rate by provider type/revenue stream

Arizona and Iowa base their SUSF assessments on the type of service a carrier provides. California assesses small providers at a different rate than large providers.

Arizona has only a single fund for high cost support but assesses providers via two methodologies. Category 1 addresses local service revenues by access line and interconnecting trunk. Category 1, access line revenue, is assessed at the rate \$0.010769 per line and \$0.107694 per trunk. Category 2 addresses intrastate toll revenue. Carriers are assessed 0.3458% of their net intrastate toll revenue.

⁵³ See Oklahoma Statutes 17 OS 139.109;110, and OAC 165-59

Iowa mandates funding for TRS and TEP. Iowa assesses carriers by the type of service they provide, wireline or wireless. Wireline carriers are assessed based on a percentage of their total gross state retail revenues. This assessment is allocated 50% to local exchange carriers (LECs), 50% to IXC and operator services companies. Wireless carriers are assessed \$0.3/month for each assigned wireless telephone number.⁵⁴

California's State USF funds high cost support, broadband grants, Lifeline, TEP, and TRS. The state assesses carriers based on both size (small carriers pay a different rate than large carriers) and program type. For the high cost fund, small carriers pay .4% of gross intrastate revenues, and large carriers pay .3%. California funds broadband at .164% of gross intrastate revenues for all carriers, Lifeline at 1.15%, E-Rate at .590%, and TRS at .2%. A rulemaking reviewing the state High Cost Fund is in progress.⁵⁵

Table 5 shows the contribution formulas by state.

Table 5: Contribution Formulas

Contribution Formula	# States	States
Single rate for all funds	21	Alaska, Arkansas, Connecticut, Indiana, Kansas, Louisiana, Maryland, Michigan, Montana, Nebraska, New Hampshire, New Mexico, North Dakota, Ohio, Pennsylvania, South Dakota, Texas, Vermont, West Virginia,
Fund-specific rate	17	California, Colorado, DC, Georgia, Idaho, Illinois, Kentucky, Maine, Minnesota, Mississippi, Missouri, Nevada, Oklahoma, Oregon, South Carolina, Utah, Wyoming
Rate by provider type	4	Arizona, California, Iowa, Rhode Island

D. Fund Distribution Requirements

State funds are distributed to local service providers based on specific requirements, including meeting or exceeding benchmark rates, providing carrier of last resort service, and

⁵⁴ Iowa did not provide the amount of revenue collected for the TRS and TEP programs over the study period.

⁵⁵ California Public Utility Commission, *Decision 14-12-084, CHCF-A Fund Rulemaking*, available at <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M143/K638/143638287.pdf>

offering service in areas with no competition. We discuss these requirements in more detail in the following paragraphs.

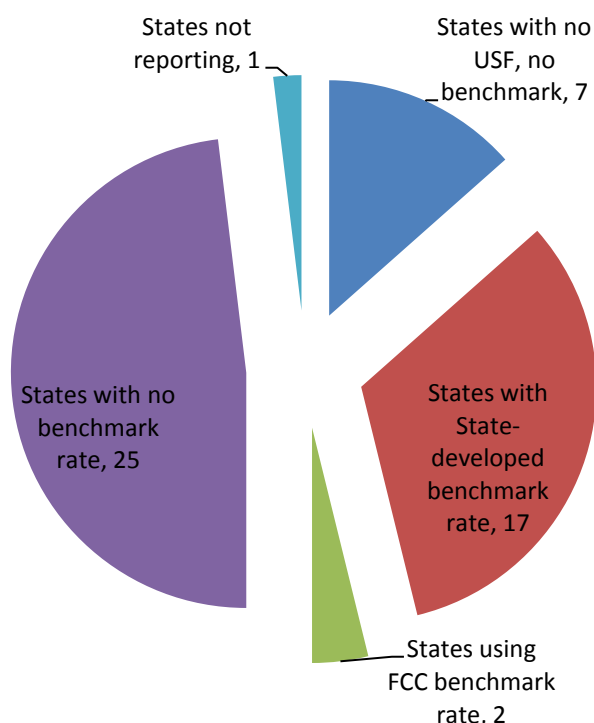
1. Benchmark Rates

The majority of states responding to the NRRI survey require providers to offer basic local exchange service at or above a benchmark rate in order to qualify for universal service support. Although these rates are generally based on the benchmark rate established by the FCC in the 2014 Urban Rate Floor Order, most states have adjusted these rates to meet state-specific needs. The purpose of benchmark rates is to ensure that the cost of service is comparable between urban and rural areas. In states with benchmark rates, service providers do not receive support for local rates that fall below the established benchmark.

Seventeen of the 50 states that responded to the NRRI survey require providers to charge at least the state-developed benchmark rate in order to qualify for SUSF funds. Two states use the FCC benchmark rate. Twenty-five out of the 50 states that responded to the NRRI survey have USF funds, but have not set benchmarks. These states generally do not have high cost or IAS funds but use their state USF to support Lifeline, TRS, and TEP, and, in a few cases, broadband grants. Seven states have neither USF funds nor benchmark rates. One state did not respond. The 19 states with both USF funds and benchmark rates use different benchmark rates for residential and business lines.

Figure 13 summarizes these statistics.

Figure 13: Benchmark Rates



The 17 states that have set state-specific benchmark rates have generally done so as part of a formal rulemaking proceeding. These benchmarks are reviewed on a scheduled basis.

Table 6 shows the states that fall into each benchmark category. We discuss these rates in more detail below.

Table 6: State Specific Benchmarks

Benchmark	# States	States
States with no USF, no benchmark	7	Alabama, DC, Florida, Massachusetts, New Jersey, Tennessee, Virginia
States with state-developed benchmark rate	16	Arizona, Colorado, Georgia, Idaho, Illinois, Indiana, Kansas, Maine, Nebraska, Nevada, New York, Oregon, Pennsylvania, Utah, Wisconsin, Wyoming
States using FCC benchmark	3	New Mexico, South Carolina, Washington
States with no benchmark rate	24	Alaska, Arkansas, California, Connecticut, Delaware, Iowa, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, Rhode Island, South Dakota, Texas, Vermont, West Virginia

States use a variety of methods to develop benchmark rates.

Arizona sets company-specific benchmark rates based on the carrier's costs for its serving area.

Wisconsin ties its benchmarks to median household income by county. In Wisconsin, credits are calculated based on the portion of the retail rate above each threshold, much like a progressive income tax. The credits pay for an increasing portion of the consumer's retail rate as it increases but never the entire rate.⁵⁶

Illinois, Maine, and New York base the benchmark rate on the rate charged by the state's largest incumbent carrier. Illinois sets its benchmark as the rate charged by the largest ILEC in its rural exchanges. In Maine, the rural incumbent local exchange carrier (RLEC) must set its rate at or above the rate charged by the state's previous ILEC (Verizon) in order to receive support. New York established its rate in a 2005 proceeding for the state's two largest carriers (Verizon and Frontier) and expanded it to all carriers in 2008.

Georgia, Idaho, and Wyoming set a benchmark rate based on state-wide average service costs. Georgia sets its benchmark at 110% of the average statewide residential rate as of July 1, 2009. Idaho uses a weighted statewide average to set its benchmark rate. Wyoming sets its benchmark rate at 130% of the statewide average POTs rate. As of July 1, 2015, Wyoming legislation imposes a \$30 imputed price benchmark.

Colorado, Indiana, Kansas, Nebraska, Nevada, New Hampshire, Oregon, and Utah set their rates based on information provided in commission proceedings.

South Carolina and Washington use the FCC benchmark rate to determine whether support will be provided. New Mexico will begin using the FCC benchmark rate in mid-2015.

Pennsylvania sets a residential rate based on a "total monthly affordable bill," which includes not only the cost of standalone basic service, but taxes, fees, and surcharges.⁵⁷

The majority of states set separate benchmarks for residential and small business users. New York does not have a specific business rate benchmark, but requires that business rates must exceed residential rates.

Table 7 shows the way in which the 19 states with benchmark rates set those rates.

⁵⁶ Jahn, Peter, Wisconsin Survey Response

⁵⁷ See Pennsylvania Public Utility Commission Docket 1-00040105, 7/11/14

Table 7: Basis for Benchmark Rates

Benchmark	State
Company Specific Benchmark	Arizona
State Benchmark Rate Proceeding	Colorado, Indiana, Kansas, Nebraska, Nevada, New Hampshire, Oregon, Pennsylvania, Utah
Statewide Average Rate	Georgia, Idaho, Wyoming
Rate charged by largest carrier	Illinois, Maine, New York
FCC Benchmark	New Mexico, South Carolina, Washington
Median Income	Wisconsin

2. Carrier of Last Resort

Seven states require high cost fund recipients to be carriers of last resort. These states are Alaska, California, Colorado, Georgia, Kansas, Nebraska, Nevada, and South Carolina.

3. Competition

Legislation passed in Colorado in 2014 limits high cost support to areas with no unsubsidized competitors. Eligibility for high cost support is limited to non-competitive POTs in Wyoming, as a result of 2015 legislation.

4. Other requirements

States providing support for intrastate access cost reductions require carriers to bring their intrastate access costs into alignment with interstate rates. These states include Michigan, New Mexico, and South Carolina.

Based on legislation passed in 2012, Vermont will require carriers designated as ETCs and carriers requesting high cost support to commit to using those funds for broadband. The state has not yet developed a process for providing or monitoring this support.

Table 8 summarizes the requirements for service providers to obtain SUSF funds.⁵⁸

⁵⁸ TRS and Lifeline funding are not included in this table. TRS support is generally provided to the TRS vendor selected by the state. Carriers seeking State Lifeline funding must qualify as ETCs and follow the procedures associated with that designation.

Table 8: SUSF Distribution Requirements

Distribution Requirement	State
COLR	Alaska, California, Colorado, Georgia, Kansas, Maine, Nevada, South Carolina
Serve High Cost Area	Arizona, Arkansas, Indiana, Kansas, Louisiana, Oregon, Pennsylvania, Texas, Utah, Washington, Wyoming
Serve area with no unsubsidized competitor	Colorado, Texas, Wyoming
Rate Case/Support Model	New York, Illinois
Access charge reductions	Michigan, New Mexico, South Carolina
Broadband support	Vermont

The number and types of carriers receiving support differs by state. The majority of states require carriers to serve as COLRs in order to receive high cost support. Carriers receiving Lifeline support must be ETCs. TRS support is directed to the state Relay Service provider. Table 9 shows the number of carriers receiving support by state.

Table 9: Carriers Receiving Support by State

State	Number/Type of Carriers Receiving Support
AK	CCL: 23 Rural ILECs, 1 Landline CLEC; Lifeline: 1 non-rural, non-RBOC ILEC, 23 Rural ILECs; 9 Wireless, 1 Landline CLEC; DEM: 3 rural ILECs; Payphone: 12 rural ILECs; TRS: state provider. Additional support rules for Lifeline, DEM: 3 rural ILECs, Pay phones: 12 Rural ILECs, TRS: Single Provider
AZ	HC: 1 rural ILEC
AR	HC: 24 non RBOC ILECs
CA	HC: HCF-A: 11 rural carriers; HCF-B: VZ, AT&T, Frontier, Cox
CO	HC: 10 RBOC COLRs; 1 Price cap carrier; 2 carriers in high cost areas
DC	LL: 1 Wireline ETC; TRS provider
GA	HC: 19 rural ILECs; IAS: 27 Rural ILECs
ID	HC: 8 Rural ILECs
IL	HC: 32 Rural ILECs
IN	HC: Rural ILECs;
IA	TRS/TEP vendor
KS	HC, IAS: 1 Non-rural ILEC (CenturyLink), 36 rural ILECs, 5 Wireless; 4 Landline CLECs (includes CLECs using wholesale products and one cable provider)
LA	HC: Rural ILECs
ME	HC, IAS: 15 rural ILECs that are COLRs only, CETCs receive identical support; FairPoint no longer receives support. See Docket 2013-00340
MI	IAS: 14 rural ILECs, 1 cooperative formed after 1996
MN	Lifeline funding passed through to carriers providing service
MS	TRS vendor
MO	Lifeline: 47 ETCs
NE	HC: 1 RBOC, 2 Non-rural ILECs; 32 Rural ILECs,; 3 Landline CLECs
NV	HC: 2 small scale providers; LL: 8 ETCs
NH	TRS provider, currently Sprint
NM	IAS: 2 Price cap carriers; 12 IXC (access reduction)
NY	HC: 2 rural ILECs

ND	TRS vendor
OH	TRS provider
OK	Primary USF support: 15 ETCs receive; Special USF: 42 receive support; LL: 56
OR	HC: 2 Non-rural ILECs, 29 Rural ILECs, 2 Landline CLECs
PA	HC: 31 Rural ILECs
SC	HC/IAS: Designated COLRs; 1 RBOC, 1 non-rural LEC, 23 rural LECs
TX	HC: 1 RBOC, 3 non-rural non RBOC ILECs, 54 rural ILECs; 10 wireless Carriers; 19 CLECs
UT	HC: 12 Rural ILECs; 2 additional rural ILECs have requested support; case to be concluded in 2015
VT	HC support added in 2014 for BB build out. Process not yet implemented.
WA	HC/IAS: 19 rural ILECs
WV	Relay: 1; BB: 2 CLECs, 1 fixed wireless carrier have received BB funding
WI	LL: 76 ; Relay: 17; HC: 1
WY	HC: 1 RBOC, 16 Rural ILECs

V. 2014 USF Changes

NRRI's 2012 State USF survey identified 20 states that were considering changes to their state programs as a result of State or federal legislation. Of those 20 states, 12 made the changes to their funds described in 2012, either as a result of legislation or commission rulemakings. Five additional states also made changes to their state programs during the survey period. Of the states making changes to their programs, three limited high cost fund disbursements to areas with no unsubsidized competitors, three reduced or limited contribution rates, and one eliminated its Lifeline fund altogether. In addition, one state legislature is considering a bill to broaden the TRS/TEP contribution base to include wireless and VoIP providers; another state is considering modifications to these programs to include additional equipment. Finally, Washington has formally extended its SUSF program until 2020 and enacted new rules concerning the program.

Table 10 shows the states that made or are considering changes to their state USF programs between 2012 and the present.

Table 10: Changes to State USF 2012-2014

Fund Change	States Making Changes
High Cost funding	Kansas, New Mexico, Oregon, Texas, Wyoming
High Cost fund distribution requirements	California, Colorado, Kansas, Texas, Vermont, Wyoming
Lifeline changes	Idaho, , Nevada, Wisconsin, Wyoming
TRS/TEP Changes	Maryland, Oregon. Rhode Island, South Carolina
Contribution process	Kansas, Nebraska

The key changes to State USF funds proposed or enacted between 2012 and 2014 fall into 5 categories:

- High cost funding changes
- High cost fund distribution requirements
- Lifeline program changes
- TRS/TEP program changes
- Contribution

We discuss these changes in detail in the following paragraphs.

A. Changes to fund size

1. Kansas

Kansas made significant changes to its State USF program as a result of House Bill 2201, passed in 2013.⁵⁹ These changes resulted in a \$4M reduction in the Kansas high cost fund.

HB 2201 eliminated high cost support for AT&T Kansas, the incumbent local exchange carrier, effective January 1, 2013. Support for CenturyLink, which continues under price cap regulation, was capped at \$11.4M/year. Total annual high cost fund support for RLECs was

⁵⁹ See Kansas Telecommunications Act, HB2201, available at <https://legiscan.com/KS/text/HB2201/id/819606/Kansas-2013-HB2201-Enrolled.pdf>

capped at \$30M per year. In addition these carriers will no longer receive high cost support to cover losses from changes to the Federal USF program. HB 2201 also eliminated the "identical support rule," which provided SUSF support to multiple competitive ETCs.⁶⁰ HB 2201 also capped support for competitive ETCs at 2013 level, with this support reduced by 20% per year until 2018, when it will be phased out entirely.⁶¹

2. New Mexico

New Mexico HB 58 (2013) required the New Mexico Public Regulation Commission (PRC) to cap the SUSF Intrastate Access Reduction Fund

To ensure that providers of intrastate retail communications service contribute to the fund and to further ensure that the surcharge to be paid by the end-user customer will be held to a minimum, no later than November 1, 2005, the commission shall adopt rules, or take other appropriate action, to require all providers to participate in a plan to ensure accurate reporting, and shall establish a cap on the surcharge.⁶²

To meet this requirement, the PRC issued an order in November, 2014, capping SUSF contributions at 3% of net intrastate retail revenues, effective 1/1/15, a reduction of .34% from the 2014 rate.⁶³ The cap would remain in place for three years and then be re-evaluated. The order also included a new rule to provide a revenue neutral result in compliance with HB 58.

The New Mexico rural carriers have challenged the order on the grounds that it did not provide for a specific, predictable and sufficient fund and would not allow for revenue-neutral access reimbursement payments from the fund. The case remains open.⁶⁴

⁶⁰ For an explanation of the FCC's elimination of the identical support rule, see Fletcher, Heald, and Hildreth, CommLawBlog, May 8, 2012, available at <http://www.commlawblog.com/tags/identical-support-rule/>

⁶¹ See Kansas HB2201, p 17. This change effects CenturyLink only.

⁶² See New Mexico House Bill 58, an Act Relating to Rural Telecommunications; Amending the Rural Telecommunications Act Of New Mexico to Amend Regulation of Incumbent Rural Telecommunications Carriers, available at https://legiscan.com/NM/text/HB58/id/683796/New_Mexico-2013-HB58-Introduced.pdf

⁶³ See New Mexico Public Regulation Commission, Final Order, Case No. 12-00380-UT, In The Matter Of Possible Changes to State Rural Universal Service Fund Rules at 17.11.10 NMAC, 11-26-14, available at <http://164.64.85.108/index.asp>

⁶⁴ See New Mexico Supreme Court Case 35,036, New Mexico Exchange Carrier Group v. New Mexico Public Regulation Commission

3. Oregon

Oregon's high cost fund remained unchanged at \$40M over the period between 2012 and 2014, a reduction of approximately \$5M from the 2010 total. Oregon is currently in Phase III of a proceeding to determine whether there is a continuing need for a universal service fund, what services the fund should support (including broadband), who should contribute to the fund, how levels of support should be determined, and what is required to ensure that the fund meets its goals.⁶⁵

Oregon began a review of its state universal service fund in 2012. Phase I of the proceeding established the need for a review and the parameters for that review. Phase II implemented initial reductions in the size of the fund. Order 13-162, issued in May, 2013, implemented an \$18.5M reduction in the size of the state fund over the three-year period from 2013 to 2014. The changes to the fund for rural companies were implemented in 2013. Changes to funding for non-rural companies began in January 2014. Funding will continue to be reduced annually until 2016, when high cost support for non-rural companies will be frozen at \$17.6M.⁶⁶

Phase III of the proceeding was opened in 2013 to

- Identify methods for accurately estimating how OUSF funds are directed to operating expenses in claimed high-cost areas.
- Develop a method (other than revenues) to allocate incumbent local exchange carrier (ILEC) network costs between basic telephone and other services, including a review of the cost models used to calculate OUSF support;
- Identify areas of unsubsidized competition and determine whether USF support should continue to be provided there.⁶⁷

The proceeding will continue through 2015 and may result in significant changes to the OUSF.

⁶⁵ See Public Utility Commission of Oregon, Staff Investigation of the Oregon Universal Service Fund, Order 10-496, 12/28/10, available at <http://apps.puc.state.or.us/orders/2010ords/10-496.pdf>

⁶⁶ See Public Utility Commission of Oregon, Staff Investigation of the Oregon Universal Service Fund, Case UM 1481, Phase II Order 13-162, 5/6/13, available at <http://apps.puc.state.or.us/orders/2013ords/13-162.pdf>

⁶⁷ See In the Matter of Investigation of Oregon Universal Service Fund, Case UM 1481, Phase III, Order No. 1505, 1/12/15, available at <http://apps.puc.state.or.us/orders/2015ords/15-005.pdf>

4. Texas

The Texas Public Utility Commission reduced the size of the Texas Universal Service Fund (TUSF) by adopting new rules to determine which carriers will be funded and the amount of support they will receive from the fund.⁶⁸ The Texas USF was \$353.8M in 2012 and \$336M in 2014. Further reductions are expected.

Senate Bill 583, passed in 2013, prohibits companies serving more than 31,000 access lines from receiving universal service fund support after 12/31/2016 unless they establish a need to receive Texas USF funding to continue in order to provide basic local service at affordable rates. Small providers with fewer than 31,000 customers will continue to receive a predictable level of support until the end of 2017, when that support will also be phased down.

The Commission Order provides a two-step process for determining whether a carrier meets the needs test. First, the Commission will determine whether an unsubsidized competitor provides service in the area where the carrier is requesting support.

[In] exchanges in which an unsubsidized wireline voice provider competitor offers basic local service . . . in census blocks that exceed 75% of the square miles of an exchange, the commission finds that there exists a business case for the provision of [basic local telephone service] BLTS without TUSF support. Where such a business case exists, there is no financial need for TUSF support in order to accomplish the universal service goals set forth [by state requirements].⁶⁹

If there is no unsubsidized competitor, step two of the process allows the Commission to determine the level of support to be provided.

For those exchanges in which the ILEC has demonstrated financial need . . . the support available to the ILEC [will] not exceed 80% of certain expenses attributable to providing regulated telecommunications service in the exchanges for which the ILEC has a financial need for continued support. This means that the ILEC must obtain revenues for at least 20% of its expenses. By ensuring that the ILEC's expenses attributable to supported exchanges exceed the support available to the ILEC, it follows that the support provided to the ILEC will be used to assist in the provision of BLTS in high-cost rural areas and will not be

⁶⁸ See Public Utility Commission of Texas, Order Adopting Amendment To §§26.403 and 26.404 and New §26.405 as Approved at the December 1, 2014 Open Meeting, available at <http://www.puc.texas.gov/industry/projects/rules/41608/41608adt.pdf>

⁶⁹ Id.

used to support the ILEC's commercial efforts in exchanges in which the ILEC does not have a financial need for continued support.⁷⁰

The rule further provides that carriers seeking TUSF support provide basic local voice service or broadband service of 3 megabits per second down and 768 kilobits per second up using wireline-based technology using either its own facilities or a combination of its own facilities and purchased unbundled network elements.

5. Wyoming

Wyoming Enrolled Act 26 (3/3/2015) limits state universal service contributions to essential services (i.e., basic local service) offered in areas where there is no competition.⁷¹ Act 26 caps the Wyoming USF at 125% of the amount distributed in fiscal year 2013-2014 and requires the State commission to reduce payments to companies electing to be covered under the new rules should expenditures exceed the capped amount. Companies electing to receive SUSF funding must agree to be the carrier of last resort in their service territories.

The company shall provide essential local exchange service, or its functional equivalent, upon reasonable request throughout the local exchange area of a rural incumbent local exchange carrier, as defined by the federal communications commission on January 1, 2015, at a price not exceeding the price benchmark [specified in the Act].⁷²

Companies may receive funds only to make up the difference between their loop costs and the company's "most recent annual federal universal service funds receipts and annual local revenues." ⁷³

Wyoming Enrolled Act 26 also raises the benchmark rate for essential local service to \$30/month. The price benchmark will be reviewed every four years beginning in 2019 and adjusted so that it meets 130% of the weighted statewide average essential local service price. The commission may make adjustments at any time if it

determines that the price benchmark does not approximate one hundred thirty percent (130%) of the weighted statewide average essential local exchange

⁷⁰ Id.

⁷¹ See Wyoming Act 26, available at <http://legiscan.com/WY/text/SF0043/2015>;

⁷² Id. at 37-15-501(e)

⁷³ Id.

service price, and that the benchmark should be adjusted by ten percent (10%) or more.⁷⁴

B. Distribution Requirement Changes

1. Competitive Test

Since NRRI's 2012 state USF study, Colorado, Texas, and Wyoming have adopted rules limiting high cost funding to areas where there is no unsubsidized carrier offering the same or similar service. As noted in Section V.A. 4 above, the Texas rules require carriers requesting funds to provide evidence that no competitive carrier offers basic local service in the study area.

Similarly, Wyoming Enrolled Act 26 limits State USF support for essential services only to areas without competition.

Colorado revised its rules for high cost support to meet the requirements of bills passed during the 2014 legislative session. These bills require the Public Utility Commission to determine the areas of the state where "effective competition" shows that there is no need for a subsidy. Funding from areas with effective competition will be transferred to a new state broadband fund to provide access to broadband service in unserved areas. HB 14-1328 created the broadband fund and determined that

The commission may transfer to the broadband deployment board only the moneys that it determines are no longer required by the HCSM to support universal basic service through an effective competition determination.⁷⁵

The Colorado commission continues to review each central office in the state to determine where there is effective competition. Funding for areas where effective competition eliminates the need for State high cost support will be transferred to the new State Broadband Fund.

2. Broadband Requirement

Vermont passed Act 190 in 2014 to

Upgrade the State's telecommunications objectives . . . [to] produce operational savings that may be invested in further deployment of broadband and mobile telecommunications services for the benefit of all Vermonters. In addition, it is

⁷⁴ Id. 37-15-501(h)

⁷⁵ See Colorado HB 1328, *A Bill For An Act Concerning The Deployment Of Broadband Into Unserved Areas Of Colorado Through Grant-Making From Moneys Allocated From The Colorado High Cost Support Mechanism, And, In Connection Therewith, Making An Appropriation*, available at http://www.leg.state.co.us/clics/clics2014a/csl.nsf/fsbillcont3/1E390935433C251F87257C620063CC4A?Open&file=1328_rev.pdf

the intent of the General Assembly to update and provide for a more equitable application of the Universal Service Fund (USF) surcharge.⁷⁶

To accomplish this goal, the Act increased the State USF surcharge to a flat 2%, added prepaid wireless carriers to the companies contributing to the SUSF, and proposed additional savings by consolidating the State telecommunications oversight functions.

Act 190 requires companies receiving high cost support to use those monies to provide both basic telecommunications service and broadband internet access services throughout their territory. High cost support will be provided only in non-competitive areas where broadband has not yet been deployed. To qualify for high cost funds, a company must be designated as a Vermont ETC by the Public Service Board and

Provide broadband Internet access at speeds meeting 4 Mbps download and 1 Mbps upload in each high cost area it serves within five years of designation. A VETC need not provide broadband service to a location that has service available from another service provider, as determined by the Department of Public Service.⁷⁷

Act 190 also creates a Vermont Connectivity Initiative to fund broadband infrastructure for unserved and underserved areas of the state.

C. Lifeline changes

Idaho and Nevada made changes to their Lifeline funds and procedures over the study period. Wisconsin continues to review its Universal Service rules in a docket opened in 2011. Wyoming canceled its Lifeline program as a result of legislation passed in 2015. We discuss these changes briefly below.

Idaho reduced its Lifeline surcharge from \$3.50 to \$2.50 per month based on legislation passed in 2013. Nevada made changes to its Lifeline fund as a result of State laws SB 41 and SB 489. Nevada will implement a third party administrator for its Lifeline program and include the administrative costs for this change in the Lifeline assessment.

Wisconsin is reviewing the status of its Lifeline program to increase the number of contributors and change the support rate. If approved, the new rules in Wisconsin will allow participation by non-ETCs in the Lifeline program. The proposed rules will continue to require

⁷⁶ Vermont Act No. 190. *An act relating to Vermont telecommunications policy*, available at <https://legiscan.com/VT/text/H0297/id/1036262/Vermont-2013-H0297-Chaptered.pdf>

⁷⁷ Id.

all companies except exempted wireless providers to provide Lifeline service but will reduce state support to cover only those amounts not covered by the Federal Lifeline program.⁷⁸

Wyoming Act 33 repealed the State's Telecommunications Assistance (Lifeline) program, effective July 1, 2015. As we noted earlier in this paper, Lifeline subscribership in Wyoming has been declining steadily due to changes in the rules governing eligibility, leading to this change. Carriers providing Lifeline service in Wyoming will no longer be able to seek funds from the State but will be limited to federally-provided funding.

D. TRS/TEP changes

Changes to the Telecommunications Relay and equipment loan programs proposed in Oregon, Rhode Island, and South Carolina were implemented in 2014. In addition, Maryland reduced its assessment for the TRS program from \$.18 to \$.11.

Oregon and Rhode Island are exploring adding wireless devices to the TEP program.

Oregon is testing the use of iPads for citizens with hearing or other cognitive impairments as a means of broadening their communications options. The 6 month trial in Oregon will test whether applications like FaceTime or other visual communications programs may be useful for the hearing impaired, who could use the application to communicate visually. If the program is successful, the Commission hopes to add these devices to the equipment provided by the State TEP.⁷⁹ In a similar move to increase the technology choices available to program participants, proposed Rhode Island Bill H5685 would add wireless telephones to the TEP program.⁸⁰

Finally, South Carolina Bill S277 would broaden the TRS funding base by requiring wireless and VoIP providers to contribute to the program. Currently some wireless and VoIP providers pay into the fund voluntarily.⁸¹ The bill would decrease the TRS surcharge for wireline customers due to the broader contribution base derived from the inclusion of wireless

⁷⁸ See Public Service Commission of Wisconsin, Docket 1-AC-236, USF Rules Revision, available at http://psc.wi.gov/apps35/ERF_search/content/SearchResult.aspx

⁷⁹ See Paulson, Dashiell, State offers iPads to people with disabilities, The Register-Guard, 2/19/15, available at <http://registerguard.com/rg/news/local/32760061-75/story.csp>

⁸⁰ See Rhode Island Senate Bill 5685, an Act Relating To Public Utilities and Carriers -- Public Utilities Commission--Information Accessibility Service for Persons with Disabilities, available at https://legiscan.com/RI/text/H5685/id/1143720/Rhode_Island-2015-H5685-Introduced.pdf

⁸¹ South Carolina Senate Bill 277, available at https://legiscan.com/SC/text/S0277/id/1144797/South_Carolina-2015-S0277-Comm_Sub.html. The South Carolina bill also changes the state's carrier of last resort requirements to allow providers to use any technology to fulfill this requirement.

and VoIP customers. Customers with both wireline and wireless phones would see no overall change.⁸²

E. Contribution Reviews

Nebraska opened a rulemaking in November 2014 to review the contribution methodology for the Nebraska USF. The purpose of the rule making is to study ways to "modernize and reform the contribution mechanism to promote an equitable and sustainable framework in an evolving communications environment."⁸³ The Order notes that, like the Federal USF, as more customers move to services that are not covered under the current USF contribution methodology, the assessable base for NUSF contributions has eroded, increasing the burden on those consumers who do contribute.

The Nebraska Order asks for comments on four potential methodologies for contribution reform – revenue-based assessment, connections-based assessment, numbers-based assessment, and other options. These potential methodologies track the methodologies proposed by the FCC in its contribution NPRM and currently under discussion by the Joint Board on Universal Service.⁸⁴

Initial comments in this proceeding were received February 15, 2015. The comments stress the need to develop an equitable, predictable assessment methodology that is technology neutral and includes as many types of industry participants as possible. As CenturyLink pointed out in its comments, although each of the potential methodologies proposed by the Commission is imperfect in some way, maintaining the status quo is not an effective option. Keeping the current revenue-based system that addresses only traditional carriers will only result in the continued need to raise assessments on the companies that are currently paying, despite the movement of consumers and business to technologies that are not currently part of the contribution base.

Reply comments are due April 15.

⁸² SB 277 is supported by AT&T but not by other wireless providers, including Verizon, T-Mobile, and Sprint.

⁸³ Nebraska Public Service Commission, In the Matter of the Nebraska Public Service Commission, on its own motion, to consider revisions to the universal service fund contribution methodology; Application No. NUSF-100 PI-193, available at http://psc.nebraska.gov/ntips/ntips_nusf_comments_nusf-100.html

⁸⁴ Federal Communications Commission, *In the Matter of the Universal Service Contribution Methodology, Further Notice of Proposed Rulemaking*, April 27, 2012, WC Docket No. 06-122

Kansas is also reviewing various State USF contribution issues, including determining what revenues should be subject to the USF and whether to maintain the state's current revenue-based contribution methodology or implement a different methodology. The initial Staff Report on this issue suggests that based on comments provided by industry and the FCC's referral of the Federal USF contribution methodology to the Federal-State Joint Board, the Commission wait until the Joint Board submits its Report before making a final recommendation.⁸⁵

Kansas is also reviewing whether to maintain its two-tiered approach to local service assessments for the incumbent LECs. Currently, a percentage assessment rate is determined for all carrier contributions. For local service only, the incumbent LECs' assessment is further calculated on a per line basis. Staff's Report supports elimination of the per line methodology for the incumbent LECs' local services.⁸⁶

VI. Conclusions

State Universal Service programs continue to be an important tool for meeting the public policy goal of ensuring access to telecommunications for all citizens, regardless of where they live, their financial status, or for persons with a disability. The 45 states with State USF programs continue to review and modify these programs to reduce cost while increasing program effectiveness.

A key result of this review has been limitations on high cost support for areas where competition has (or should) driven down the cost of service, and, therefore, reduced the need for support. The states that are reducing high cost support are using those savings to fund broadband initiatives and examining ways to increase broadband penetration. For example, Colorado is moving high cost funds from areas with effective competition to its broadband fund. West Virginia's broadband fund sunset in 2014 but a new program has been proposed, albeit without funding.⁸⁷

⁸⁵ Staff's October 3, 2014, Report and Recommendations, Docket No. 14-GIMT-105-GIT, available for viewing at: <http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20141003152611.pdf?Id=816f22ba-8831-4227-8ee5-1a88f940fc57>.

⁸⁶ Staff's (date), 2015, Report, Docket No. 15-GIMT-073-GIT. (This report has not been released.

⁸⁷ West Virginia Senate Bill 488, AN ACT to repeal §31-15C-10, §31-15C-11 and §31-15C-14 of the Code of West Virginia, 1931, as amended; and to amend and reenact §31-15C-2, §31-15C-3, §31-15C-4, §31-15C-5, §31-15C-7 and §31-15C-9 of said code, all relating to creation of Broadband Enhancement Council, available at https://legiscan.com/WV/text/SB488/id/1171587/West_Virginia-2015-SB488-Enrolled.html

The reductions in State USF in some states have kept the overall growth of these funds at approximately 10% above the 2012 total, due primarily to changes to broadband and E-Rate funding in California and other states. The broadband aspects of the State funds will continue to grow as the need and uses for such connectivity increase.

USF changes and contribution reform at the federal level, as well as the IP transition, will also have a significant effect on State funds. Between 2012 and 2014, 17 states modified their funds to meet the requirements of the USF Transformation Order, including requiring carriers to meet the FCC's new urban rate floor requirements. As the transition continues, the states have already recognized that there is a need to modify the way in which contributions are assessed to ensure that contributions are spread over all carriers in a technology agnostic manner, not just the intrastate wireline and wireless providers that currently contribute to the funds. To that end, states like South Carolina, Kansas, and Nebraska are examining how to broaden the contribution base by including more carriers (South Carolina) or looking at different contribution methodologies (Nebraska and Kansas). We can expect these investigations to increase in the coming years.

Increasing broadband funding without raising USF contribution levels above the ability of consumers to pay will continue to be an important challenge in the coming years. Vermont has addressed this question by requiring COLRs to provide both broadband and voice service as part of their basic service requirement, and other states have indicated that these questions are ripe for analysis. California has increased the size of its High Cost and Broadband funds to cover the challenge of increasing broadband penetration across the state, but these initiatives will require changes to the contribution model.

Lifeline remains a serious question for the States. Wyoming's decision to cancel its Lifeline program may be the first of a number of attempts to address this issue, as legislators look for ways to reduce funding requirements and resolve questions related to waste, fraud, and abuse. As the States consider various approaches to Lifeline funding, they will need to pay particular attention to proposals from the FCC that may alter the program in significant ways.

Finally, states will need to address the increase in Telehealth and E-Rate initiatives and determine how SUSF funding can (or should) be used to meet these needs.

The 2014 NRRI study provides state regulators and legislators with a number of options for addressing universal service and responding to the effects of changes in universal service funding at the federal and State levels.

- States with state funds may use the 2014 findings and particularly the changes in funding over the period, to benchmark their funds against states with similar topographies and populations. They may also use the data to help their legislatures, the FCC, and others understand how their state fund compares to others.
- States that are considering changes to their state funds may use the information provided here to review options for developing the fund, determining who should contribute, and studying contribution levels.

- States may use the fund data provided here to examine areas where their funds may need to be extended or limited.

Universal service remains an important goal for telecommunications regulators and the industry. Continuing study and review of information on how various states meet this goal will remain an important public utility commission activity, now and in the future.

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2015 USF projections, available at <http://www.usac.org/cont/tools/contribution-factors.aspx>

Vermont Act No. 190. *An act relating to Vermont telecommunications policy*, available at <https://legiscan.com/VT/text/H0297/id/1036262/Vermont-2013-H0297-Chaptered.pdf>

Wyoming HB 37, available at <https://legiscan.com/WY/text/HB0037/id/1134361/Wyoming-2015-HB0037-Enrolled.pdf>

Appendix A: Survey

National Regulatory Research Institute

Survey of State Universal Service Funding Mechanism

November, 2014

Respondent Information:

Name: _____

Title: _____

State: _____

Contact Information:

Email: _____

Telephone: _____

Did your state respond to the NRRI 2012 survey? _____

1. Does your state have a state fund to support (check all that apply):

- a. ☐ High-cost service
- b. ☐ Intrastate Access Reductions/Reform
- c. ☐ Broadband
- d. ☐ Lifeline
- e. ☐ Link-up
- f. ☐ Schools/Libraries
- g. ☐ Telecommunications Access (equipment) Program
- h. ☐ Relay Service
- i. ☐ Other (please describe) _____
- j. ☐ None of the above

(If you answered None of the above, please move on to question 9)

2. What is the current amount of funding collected for each program? Please identify the period on which the data is based (e.g. March 2013-Feb. 2014, January – December 2014, etc.).

- | | Amount | Period |
|----|---|--------|
| a. | _____ High-cost service | _____ |
| b. | _____ Intrastate Access Reductions/Reform | _____ |

- c. _____ Broadband _____
 - d. _____ Lifeline _____
 - e. _____ Link-up _____
 - f. _____ Schools/Libraries _____
 - g. _____ Telecommunications Access (equipment) Program _____
 - h. _____ Relay Service _____
 - i. _____ Other _____
3. List each carrier category required to contribute to your fund? (landline, wireless, VoIP, etc., please check all that apply)
- a. _____ ILECs
 - b. _____ CLECs
 - c. _____ IXC's
 - d. _____ Wireless providers
 - e. _____ Paging providers
 - f. _____ VOIP providers **including cable companies** (___all VOIP providers
____interconnected providers only)
 - g. _____ End users
 - h. _____ Others (please describe) _____
4. What revenues are assessed for contributions? (e.g. total gross state retail revenues, net intrastate retail revenues, seller's revenues, end-users revenues, check those that apply)
- a. _____ Total gross state retail revenues
 - b. _____ Net intrastate retail revenues
 - c. _____ Seller's revenues
 - d. _____ End-users revenues
 - e. _____ Other (Please describe) _____
5. What is the contribution rate assessed to carriers or end-users for each program? If your state assessment includes one or more programs and only has one rate, please so state. For example, a state may have a 5% assessment rate that includes monies for high-cost, lifeline, Link-Up, and Relay services. Another state may assess 1% for high-cost, .05% for access reform, .75% for Lifeline, etc.

State Fund	ILECs	CLEC	IXCs	Wireless providers	Paging providers	VOIP providers	End users	Others
a. High-cost service								
b. Intrastate Access Reductions/Reform								
c. Broadband								
d. Lifeline								
e. Link-up								
f. Schools/Libraries								
g. Telecommunications Access (equipment) Program								
h. Relay Service								
i. Other								

6. What are the requirements for carriers to receive support and what is the basis for that support? For example, only Carriers/Providers of Last Resort receive funding based on intrastate rate-of-return revenue requirement; support is provided once a State Rate Benchmark is met, price cap or carriers under alternative forms of regulation receive support based on a cost model, all ILECs receive support based on matching 2000 intrastate access rates to interstate levels, competitive Eligible Telecommunications Carriers receive identical support, etc. (please check those that apply)

- a. _____ Only Carriers/Providers of Last Resort receive funding based on intrastate rate-of-return revenue requirement.
- b. _____ Support is provided once a State Rate Benchmark is met
- c. _____ Price cap or carriers under alternative forms of regulation receive support based on a cost model
- d. _____ All ILECs receive support based on matching intrastate access rates to interstate levels as of a specific date in time. Please provide date: _____
- e. _____ Competitive Eligible Telecommunications Carriers receive identical support, etc.
- f. _____ Carriers receive support for high cost areas only
- g. _____ Other (Please describe) _____

7. How many carriers receive support under each of the methodologies listed in number 6 above? For example, 5 rural LECs receive funding based on intrastate revenue requirement, 1 price cap carrier receives support based on a cost model, and 3 competitive ETCs receive support identical to that paid to the ILEC. Please note that, letters in the Items column represents the answer choices in question 6 above.

Items	RBOCs	Non-rural, Non-RBOC ILECs	Rural ILECs	Wireless Carriers	Landline CLECs	Others*
a						
b						
c						
d						
e						
f						

*If you gave a figure for "Others," please explain which category of carriers constitutes "others"

8. If your State has Rate Benchmarks, please explain what those Benchmarks are and how they are determined. For example, are the benchmarks based on the FCC benchmark or on some other formula?
9. Does your state provide state USF support for standalone broadband service? _____. If you answered yes, what specific conditions apply?
10. Has your state created a fund since the last NRRI survey in 2012? If so, please describe it.

Appendix B: Survey Responses

State	Q1. State Fund: Y/N	Support Provided: HC/Access/Broadband, Lifeline, LinkUp, Schools, TA, Relay, Other	State	Q1. State Fund: Y/N	Support Provided: HC/Access/Broadband, Lifeline, LinkUp, Schools, TA, Relay, Other
AL	No		IN	Yes	HC fund compensates for lost revenue from access reduction (MAG) plan
AK	Yes	IAS, Lifeline, Dial equipment minutes; payphone	IA	Yes	TRS, TEP
AZ	Yes	HC	KS	Yes	HC, IAS, LL, TEP, TRS, admin fees and audit costs for fund
AR	Yes	HC	KY	Yes	LL, TEP, TRS
CA	Yes	HC, BB, LL, L-UE-rate, TEP, TRS	LA	Yes	HC, TEP, TRS
CO	Yes	HC, Broadband, Relay	ME	Yes	HC, IAS, E-Rate, TEP, TRS, Public Interest Payphones
CT	Yes	Lifeline, Relay	MD	Yes	TEP, TRS (single fund)
DC	Yes	Lifeline, Relay	MA	No	
DE	Yes	State broadband fund; 2013 legislation	MI	Yes	IAS
FL	No	Carriers must provide Lifeline	MN	Yes	LL, TEP, TRS
GA	Yes	HC,TAS, TRS, Hearing Aid	MS	Yes	TRS
HI	No response		MO	Yes	Lifeline, TAS. TRS, Disabled programs
ID	Yes	HC, Lifeline, TRS	MT	Yes	TEP, TRS

State	Q1. State Fund: Y/N	Support Provided: HC/Access/Broadband, Lifeline, LinkUp, Schools, TA, Relay, Other	State	Q1. State Fund: Y/N	Support Provided: HC/Access/Broadband, Lifeline, LinkUp, Schools, TA, Relay, Other
IL	Yes	HC, IAS, Link-Up, TEP, TRS	NE	Yes	HC, BB, LL, Telehealth (single fund disbursed separately)
NV	Yes	HC, LL, Link-up, E-rate, TEP, TRS. HC collection includes LL. TRS separate.	SC	Yes	HC, IAS, LL, TAS, TRS, Closed captioning
NH	Yes	TEP, TRS	SD	Yes	TRS, TEP
NJ	No		TN	No	
NM	Yes	IAS, Lifeline	TX	Yes	HC, LL, RTS, Audio newspaper; single assessment
NY	Yes	HC, LL, Link-up (tribal), TAS, TRS, 911	UT	Yes	HC, LL, TRS (separate assessment)
NC	Yes	TRS, See Docket P-100 Sub 110, G.S. 62-157	VT	Yes	HC, BB, LL, TEP, TRS, E911
ND	Yes	Relay Service	VA	No	
OH	Yes	Relay Service	WA	Yes	HC, IAS, Lifeline, Link-up, TAS, TRS
OK	Yes	HC, LL, E-rate; TRS, Telemedicine hotline	WV	Yes	BB, TRS
OR	Yes	HC, LL, TEP, TRS	WI	Yes	HC, BB, LL, E-rate, TAS, TRS, Telemedicine grants
PA	Yes	HC	WY	Yes	HC, Relay, LL
RI	Yes	E-Rate, TEP, TRS, News service for the blind			

State	Q2. Total State USF Funding	High Cost Funding	Intrastate Access Reduction Support (IAS)	Broadband	Lifeline	Schools and Libraries (E-Rate)	Telecom Equipment (TEP)	Telecom Relay Service (TRS)	Other Funds
AL	No fund								
AK	\$29,234,574		\$25,714,744		\$2,008,087			\$54,451	\$1,457,292
AZ	\$1,011,220	\$1,011,220							
AR	\$39,000,000	\$39,000,000							
CA	\$377,000,000	\$92,000,000		\$22,000,000	\$150,000,000	\$85,000,000	Included in TRS	\$28,000,000	
CO	\$53,000,000	\$50,000,000		\$3,000,000				Data not provided	
CT	\$1,745,172				Data not provided			\$1,745,171.62	
DC	\$691,733				\$408,123			\$283,611	
DE	\$2,000,000			\$2,000,000				Data not provided	
FL	No fund								
GA	\$35,160,000	\$15,000,000	\$18,600,000				\$763,000	\$1,400,000	\$797,000
HI									
ID	\$3,231,500	\$1,950,000			\$1,142,500			\$139,000	
IL	\$22,381,001	\$18,984,631	Included in HC				\$3,396,370	Included in TEP	
IN	\$10,828,419	\$10,828,419							
IA	\$1,282,319						\$459,129	\$823,190	
KS	\$55,096,500	\$48,000,000	\$1,300,000		\$3,900,000		\$450,000	\$928,500	\$518,000
KY	\$540,000				\$360,000		\$90,000	\$90,000	
LA	\$45,300,000	\$45,300,000						\$0	
ME	\$13,263,324	\$7,400,000	Included in HC	\$1,248,324		\$3,830,000	\$185,000	\$600,000	\$50,000 Payphone
MD	\$7,800,000							\$7,800,000	

State	Q2. Total State USF Funding	High Cost Funding	Intrastate Access Reduction Support (IAS)	Broadband	Lifeline	Schools and Libraries (E-Rate)	Telecom Equipment (TEP)	Telecom Relay Service (TRS)	Other Funds
MA	\$0								
MI	\$12,000,000		\$12,000,000						
MN	\$5,800,000				\$2,000,000		\$1,400,000	\$2,400,000	
MS	\$725,000							\$725,000	
MO	\$2,650,316				\$1,150,316			\$1,500,000	Disabled program
MT	\$770,342							\$770,342	TEP and TRS funded jointly
NE	\$50,200,000	\$40,720,000		\$8,050,000	\$530,000				\$900,000
NV	\$2,339,252	\$1,136,879						\$1,202,373	TRS includes TEP and TDD support
NH	\$96,000						\$96,000	\$0.06/line/mo	
NJ									
NM	\$24,800,000		\$24,000,000		\$800,000				
NY	\$44,850,000	\$1,150,000			\$22,800,000			\$5,600,000	\$15,300,000
NC	\$16,670,356							\$16,670,356	
ND	\$360,000							\$360,000	
OH	\$2,954,598							\$2,954,598	
OK	\$82,389,959	\$37,000,000			\$1,807,321	\$36,445,707		\$7,136,931	
OR	\$44,600,000	\$40,000,000			\$4,600,000			Combined with TAP	
PA	\$31,321,636	\$31,321,636							
RI	\$1,785,084					\$1,200,000	\$75,000	\$470,084	\$40,000
SC	\$45,300,000	\$27,800,000	\$13,200,000		\$1,000,000		\$600,000	\$2,200,000	\$500,000
SD	\$1,500,000							\$1,500,000	

State	Q2. Total State USF Funding	High Cost Funding	Intrastate Access Reduction Support (IAS)	Broadband	Lifeline	Schools and Libraries (E-Rate)	Telecom Equipment (TEP)	Telecom Relay Service (TRS)	Other Funds
TN									
TX	\$336,000,000								
UT	\$11,100,000	\$11,100,000			Included in HCS				
VT	\$6,215,000				\$715,000			\$500,000	\$5,000,000
VA									5% communications sales tax. Collected monthly and remitted to state department of taxation for general fund. Tax replaced all other assessments.
WA	\$14,000,000	\$5,000,000	Included in HC		\$4,000,000		\$5,000,000	Included in TAP	
WV	\$1,255,000			\$895,000				\$360,000	BB fund ends 12/31/14
WI	\$44,185,200	\$11,000			\$2,510,000	\$36,809,200	\$1,800,000	\$2,055,000	\$1,000,000
WY	\$2,136,364	\$2,080,000			\$56,364			\$0.04/line end user fee	
Total (\$)	1,484,569,869	526,793,785	94,814,744	37,193,324	199,787,711	163,284,907	14,314,499	86,868,607	25,512,292

State	Q3. Contributors by type: ILECs, CLECs, IXC's. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
AL	N/A	N/A	N/A	N/A	N/A
AK	ILECs, CLECs, IXC's, Wireless, Paging, End Users (TRS); intrastate service providers	Annual gross end user revenues generated by intrastate services; see 3 AAC 53.540(a) and (b)	Single contribution rate all but TRS = 9.3% (2013) 9.4% (2014); 10.4% (2015); TRS surcharge: res. \$0.01/line/month. And single line business: \$0.01/line/mo; Multi-line bus. \$0.02 per line/per mo. Capped at 100 access lines. TRS surcharge based on support requirement.	COLRs receive support to offset shortfall in common line costs below their supported rev. req. Carriers must be designated in a competitive study area. 3 AAC 53.345; Lifeline support = \$3.50 discount/mon. for local svc. (See Order U-12-017(1)). Payphone support = actual net cost of svc.	CCL: 23 Rural ILECs, 1 Landline CLEC; Lifeline: 1 non-rural, non- RBOC ILEC, 23 Rural ILECs; 9 Wireless, 1 Landline CLEC; DEM: 3 rural ILECs; Pay phone: 12 rural ILECs; TRS: state provider. Additional support rules for Lifeline, DEM: 3 rural ILECs, Pay phones: 12 Rural ILECs, TRS: Single Provider
AZ	ILECs, CLECs, IXC's, Wireless, Paging, Cable, VoIP	Cat 1 (Local): per access line; per interconnecting trunk; Cat 2 (intrastate toll): % intrastate toll revenue	Category 1: \$0.010769/access line; \$0.107694 per trunk; Category 2: 0.3458% intrastate toll revenue	Support in high cost areas	1 rural ILEC

State	Q3. Contributors by type: ILECs, CLECs, IXC's. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
AR	ILECs, CLECs, IXC's, Wireless, Cable VoIP	Total gross state retail revenues	HC: 5%	ILECs based on loop cost developed by NECA yearly	24 non RBOC ILECs
CA	End users of ILECs, CLECs, Wireless, and Inter-connected VoIP providers	Gross intrastate revenues	HC (Small LECs): .4%; HC (Large) .3%; BB: .164%; LL: 1.15%; E- rate: .590%; TRS: .2%	HCF-A: rural ROR ILECs; HCF-B: large carriers in HC areas; must be a COLR. BB: grants and loans approved by CPUC.	HCF-A: 11 rural carriers; HCF-B: VZ, AT&T, Frontier, Cox
CO	ILECs, CLECs, IXC's, Wireless, Paging	Total gross state retail revenues	HC:2.6%; BB: from HC surcharge; Relay:\$0.05/access line/month	COLRs receive support in non- competitive areas; Price cap carriers based on cost model, CETCs receive identical support	10 RBOC COLRs; 1 Price cap carrier; 2 carriers in high cost areas
CT	ILECs, CLECs, IXC's, Wireless	Total gross state retail revenues	N/A	Carriers may recover costs for LL and TRS from end users	
DC	ILEC, CLECs, VoIP, Cable	Total gross state retail revenues	LL: 0.115% beginning 1/2015 Relay: 0.115% beginning 1/2015	LL: Wireline ETC; TRS provider	1 Wireline ETC; TRS provider
DE	ILECs, CLECs, IXC's	Total gross state retail revenues	BB: 1/2 assessment due in 2011 payable 8/1/13; yearly until 2016		
FL	N/A	N/A	N/A	N/A	N/A

State	Q3. Contributors by type: ILECs, CLECs, IXC's. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
GA	ILECs, CLECs, IXC's, Cable, VoIP, End users, payphone, inmate telephone svc providers	Total gross state retail revenues	HC: 2.5%; IAS in HC, Relay/TEP: \$0.11/line/month	HC: COLRs; IAS: after rate benchmark met	HC: 19 rural ILECs; IAS: 27 Rural ILECs
HI		No response			
ID	ILECs, CLECs, IXC's	Res and bus local exchange lines; intrastate LD minutes	HC: \$.16/res line; \$.006/billed LD minute; Lifeline: \$.03/local exchange line; Relay: \$.02/local exchange line; \$.002/billed LD minute	ETCs that provide local and LD svc and have average res and bus rates >125% of weighted statewide average. Idaho Code §62-610	8 Rural ILECs
IL	ILECs, CLECs, IXC's	Net Intrastate retail revenues	HC: 1.029% (all providers); TEP: \$0.08/line/mo	Small ILECs receive support based on model and ROR based cost assessment	32 Rural ILECs receive funding
IN	ILECs, CLECs, IXC's, Wireless	Net Intrastate retail revenues	HC: 0.52% all providers; increase to 0.62% proposed	Carriers in HC areas receive support	Rural ILECs;
IA	ILECs, CLECs, IXC's, Wireless	Wireline: Total gross state retail revenues; Wireless: \$0.03/month/assigned wireless #	IA law mandates funding for TRS and TEP; assessment allocated 50% to LECs, 50% to IXCs, AOS companies; wireless assessed by TN	TRS and TEP vendors/programs	State TRS/TEP vendors

State	Q3. Contributors by type: ILECs, CLECs, IXC. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
KS	ILECs, CLECs, IXCs, Wireless, paging, VoIP, cable	Net Intrastate retail revenues (net of uncollectibles)	Assessment combined for all funds. 2014-2015 is 6.05% for all providers. Incumbent LEC assessment and other LECs assessed on projected rate divided by access lines to create a per line rate	COLRs, Price Cap carriers under AFOR plans calling for HC support, CETCs receive identical support; Support for HC areas only	1 Non-rural ILEC (CenturyLink), 36 rural ILECs, 5 Wireless; 4 Landline CLECs (includes CLECs using wholesale products and one cable provider)
KY	ILECs, CLECs, Wireless; Cable, VoIP	Per line surcharge	LL: \$0.08/line all providers; TEP \$0.02/line; TRS: \$0.02/line	Lifeline ETCs receive \$3.50/line	
LA	ILEC, CLEC, IXC, Wireless, all VoIP	Total gross state retail revenues	Contribution rate set yearly by independent auditors based on number of lines and revenue for previous year.	19 rural ILECs serving high cost areas	Rural ILECs;
ME	ILECs, CLECs, IXCs, Wireless, VoIP, cable. Wireless contribution to BB fund is voluntary	Net Intrastate retail revenues	HC: 1.51%; E-Rate: .7%; BB:.25%; \$100,000 contribution from FairPoint not included in total	RLECs/POLR must set basic svc rate at former RBOC rate; must maintain access rates or below federal level	15 rural ILECs that are COLRs only, CETCs receive identical support; FairPoint no longer receives support. See Docket 2013- 00340

State	Q3. Contributors by type: ILECs, CLECs, IXC's, Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
MD	ILECs, CLECs, IXC's, Wireless, VoIP, cable	Per line surcharge	TEP/TRS: \$0.11/landline, wireless, and VoIP account	TEP/TRS contractors	
MA	N/A	N/A	N/A	N/A	N/A
MI	ILECs, CLECs, IXC's, Wireless; Paging, and all others that provide intrastate, retail telecom services	Net Intrastate retail revenues	IAS: 0.68%	All ILECs receive support based on matching intrastate rates to interstate levels as of 9/13/10	14 rural ILECs, 1 cooperative formed after 1996
MN	LL: ILECs, CLECs, cable, interconnected VoIP; TEP/TRS: ILECs, CLECs, Wireless; VoIP	Per-line monthly surcharge	LL: \$0.03/user line; TEP/TRS: \$0.06/user line	LL carriers submit report and are reimbursed for customer discounts	100 carriers
MS	End users	ILEC and CLEC wireline end users assessed \$.10 for each line for which a EUCL line is applicable (Docket 90-UA-156)	TRS	TRS vendor	1
MO	ILECs, CLECs, IXC's, Cable,	Net intrastate retail revenues	LL and Disable programs: \$.0010 assessment rate + \$6.50 monthly support/line	LL: Landline and wireless ETCs. TRS: Sprint is single relay provider	47 Lifeline carriers
MT	End users via line surcharge	End user per line charge	\$0.10/month/line	TRS/TEP users	N/A

State	Q3. Contributors by type: ILECs, CLECs, IXC's. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
NE	ILECs, CLECs, IXC's, Wireless, Paging, Interconnected VoIP, cable	Net Intrastate retail revenues	6.95% for all carriers; contributions in single fund disbursed separately	Allocated based on a comparison of total cost and total rev/line. Must be a COLR.	1 RBOC, 2 Non- rural ILECs; 32 Rural ILECs; 3 Landline CLECs
NV	ILECs, CLECs, Wireless, Cable, Interconnected VoIP	Net intrastate retail revenues, TDD surcharge/access line/month	NUSF: 0.01% of all intrastate revenues. TDD fund: \$0.03/line/month (separately administered)	HC: small COLRs if they are in rural high cost areas and average rates across their territory.	2 small scale providers receive HC support; 8 ETCs receive LL support
NH	ILECs, CLECs, Cable	Assessed per access line	\$0.06/line/month for both programs	Relay providers receive TRS funding; Common Disability receives \$96,000 from funds collected for TEP	TRS provider, currently Sprint
NJ					
NM	ILECs, CLECs, IXC's, Wireless, Paging, Cable	Net Intrastate retail revenues	3.45% all funds	All ILECs based on matching access rates to interstate levels as of 2006- 2008; \$3.50/month supplement for ETCs and Wireless CETCs based on customer counts	2 Price cap carriers; 12 IXC's (access reduction)

State	Q3. Contributors by type: ILECs, CLECs, IXC's. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
NY	ILECs, CLECs, IXC's; 1 VoIP provider contributes voluntarily	Net Intrastate retail revenues		Support provided after state rate benchmark of \$23 is met. Standard rate case process used to determine support	2 rural ILECs
NC	End users via line surcharge	Surcharge per line	TRS: \$0.14/line/month	N/A	N/A
ND	ILEC, CLECs, Wireless	Assessed per access line	\$0.04 per access line		TRS vendor
OH	ILECs, CLECs, IXC's, Wireless, Paging, Cable, VoIP	Charge per access line; currently \$.02/line/mo; R.C. 4984.05.c. Assessment is technology neutral.	Relay service	Contracted TRS Provider	Contracted TRS provider

State	Q3. Contributors by type: ILECs, CLECs, IXC. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
OK	ILECs, CLECs, IXCs, Wireless, Paging, Cable, interconnected VoIP	Total gross state retail revenues	HC: .04652393/intralata toll RBMOU HCF: .03117256/interlata toll RBMOU; LL, LU, E-rate, Telemedicine: .64% 7/1/14 - 10/30/14; 2.16% 10/31/14 - 6/30/15; Relay: \$0.05/access line/month	ETCs may request support to maintain rural rates comparable to urban; ILECs serving >75K lines may request funds, OCC hearing required; Small ILECs may receive funds based on the effect of FCC Orders and other changes in regulations that may reduce revenue	15 ETCs receive primary USF support; 42 receive special USF support; 56 receive Lifeline support
OR	Voice service providers: ILECs, CLECs, some VoIP providers; Wireless; end users	OUSF: gross intrastate retail revenues; TEP/TRS: per line	HCF: 8.5% assessed to end users; LL, TRS, TEP: single program assessed \$0.11/line	ETCs in High cost areas only. Meet 14 conditions from Order No.00-312	HC support: 2 Non- rural ILECs, 29 Rural ILECs, 2 Landline CLECs
PA	ILECs, CLECs, IXCs, Competitive Access Providers (CAPs)	Net intrastate retail revenues	HC: 1.6608161%	ILECs except Verizon (based on AFOR plan)	31 Rural ILECs
RI	End users; E-Rate : all wireline customers; TRS : landline customers	End user revenues per line and/or trunk	E-Rate: \$0.26/line; Relay \$0.09/line	Relay support to provider; E-Rate carrier chosen by Board of Ed based on state-wide RFP; TEP administered by RI DHS	N/A

State	Q3. Contributors by type: ILECs, CLECs, IXC. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
SC	ILECs, CLECs, IXCs, end users	Retail revenues; Relay: Per access line; IAS: allocation from prior year	HC and LL: 2.6588%; based on support amount allocated by reported retail revenues for all ETCs; TEP/TRS/captioning: \$.25/access line	IAS funds switched access svc reductions; allocated to IXCs and ILECs based on prior year MOUs	Designated COLRs; 1 RBOC, 1 non-rural LEC, 23 rural LECs
SD	End Users; local exchange lines, wireless, paging	End user revenues per line and/or trunk	\$0.15/per line	End users for TEP and TRS	N/A
TN	N/A	N/A	N/A	N/A	N/A
TX	ILECs, CLECs, IXCs, Wireless, Paging	Gross intrastate revenues	Single contribution rate. Monies collected as single amount and then disbursed. 2014 rate: 3.7%; Rate reduced to 3.3% 3/1/15	ETCs receive individual support as defined in the order granting their status.	Support for HC areas only. 1 RBOC, 3 non-rural non RBOC ILECs, 54 rural ILECs; 10 wireless Carriers; 19 CLECs
UT	ILECs, CLECs, IXCs, Wireless. One cable company contributes voluntarily	Total gross state retail revenues	1% surcharge funds both HC and LL; Relay \$0.02/line/month	Provided once a state benchmark is met; Price cap and carriers under AFOR receive support based on cost model. High cost areas only.	12 Rural ILECs; 2 additional rural ILECs have requested support; case to be concluded in 2015

State	Q3. Contributors by type: ILECs, CLECs, IXC's. Wireless, Paging, VoIP (including cable), End Users, Other	Q4. Revenues Assessed	Q5. Contribution by program	Q6. Who receives support?	Q7. # Carriers Receiving Support
VT	End users via line surcharge	End user retail purchases	2% - allocated in order to relay, lifeline, E911, high cost	HC: Designated as ETCs; commit to using funds for broadband build-out	HC support added in 2014 for BB build out. Process not yet implemented.
VA	N/A	N/A	N/A	N/A	N/A
WA	Appropriation from state general fund	State funding	N/A	Rural ILECs meeting requirements in Docket UT-131239	19 rural ILECs
WV	BB grant from state; TRS per line	TRS per line	Flat rate fee for TRS	BB funding based on applications; TRS vendor	1 Relay, 2 CLECs, 1 fixed wireless carrier have received BB funding
WI	ILECs, CLECs, IXC's, Wireless, VoIP/cable	Total gross state retail revenues	HC: 0.222% - all providers including resellers/ monthly. On a yearly basis, percentage is .2664% (.0222% times 12) of providers' annual revenues; E-rate 1.6248%	ETCs; wireless exempt	Lifeline: 76 ; Relay: 17; HC: 1
WY	ILECs, CLECs, IXC's, Wireless, Paging, Cable	Total gross state retail revenues	HC: 1%; LL Levy by customer by some carriers; TRS \$0.04/month/bill	High cost areas after state benchmark met	1 RBOC, 16 Rural ILECs

State	Q8. State Rate Benchmarks	Q9. Standalone Broadband Support	Q10. New funds since 2012	Q.11. Is state considering a fund?
AL	N/A	N/A	N/A	N/A
AK	N/A	No	No	N/A
AZ	Commission develops benchmarks on a company by company basis	No	No new funds	No
AR	N/A	No	None	N/A
CA	N/A	No	No	N/A
CO	Res benchmark=\$17; business=\$35.02; see Proceeding 10R-191T; many recipients have filed to increase rates to equal FCC urban rate floor	Yes	HB14-1328 created BB fund and BB board. Funds will be transferred from voice HC fund to BB fund 1/15	N/A
CT	N/A	No	N/A	No
DC	N/A	No	No new funds	N/A
DE	N/A	Yes	BB fund created 8/1/2013; sunsets 2016	N/A
FL	N/A	No	No new funds	No
GA	110% of statewide average residential rate as of 7/1/2009	No	No	N/A
HI				
ID	Weighted statewide average	No	No	N/A
IL	\$20.39; based on the rate charged by large ILEC in its rural exchanges	No	No new funds	N/A
IN	Basic Res.+\$17.15; SLB=\$23.60	HC fund is revenue replacement fund to compensate for lost revenue from MAG Plan	No new funds	N/A
IA	N/A	No	No new funds	N/A

State	Q8. State Rate Benchmarks	Q9. Standalone Broadband Support	Q10. New funds since 2012	Q.11. Is state considering a fund?
KS	Yes; calculated yearly by commission; Bus rate is residential rate + \$3.00	No	N/A	N/A
KY	N/A	No	No new funds	N/A
LA	N/A	No	None	N/A
ME	RLEC must set basic rate at or above prior VZ rate	No	No new funds	N/A
MD	N/A	No	No new funds	N/A
MA	N/A	No state USF fund. Broadband funded by separate state fund. \$90M allocated since inception.	N/A	No
MI	N/A	No	No new funds	No
MN	N/A	No	No new funds	No
MS	N/A	No	No new funds	No
MO	No benchmarks	No	No	HC fund being considered in Case TW-2014-0012.
MT	N/A	N/A	No	HC fund has been discussed but no docket opened.
NE	\$17.50 urban; \$19.95 rural	Grants for construction; Must offer voice and data	No	N/A
NV	Calculated by commission. Rural basic service rate must be comparable to urban rate.	No	No	N/A
NH	N/A	No	No	No
NJ	N/A	N/A	N/A	N/A
NM	Res benchmark: \$15.28/line; Bus benchmark: current rate +1.78, not to exceed \$36.15	No	No new funds	N/A

State	Q8. State Rate Benchmarks	Q9. Standalone Broadband Support	Q10. New funds since 2012	Q.11. Is state considering a fund?
NY	\$23, established in VZ/Frontier Case 05-C-0616; expanded to other carriers in Case 07-C-0349 (3/2008)' no business benchmark. Rate may not be lower than residential rate.	No	SUSF established in 2012 (Case 09-M-0527) for 4 years. Will expire in 2016. Funding capped at \$4M/year after 1st year.	No
NC	N/A	No	No	No
ND	No benchmarks	No	No	No
OH	No benchmarks	No	No	Access reform fund proposed. See Docket 10-2387-TP-COL. Decision pending
OK	No benchmarks	No	N/A	N/A
OR	H/C benchmark \$21	No	No	N/A
PA	Res basic service: \$23.00 (standalone) total "monthly affordable bill" of \$32.00 including taxes, fees, surcharges. Docket 1-00040105, 7/11/14	No	No	No
RI	N/A	No	No	N/A
SC	FCC residential rate floor. See Order 2013-210	No	No	N/A
SD	N/A	No	N/A	No
TN				
TX	N/A	No	None	N/A
UT	\$16.50 res; \$26 business	No	No	N/A

State	Q8. State Rate Benchmarks	Q9. Standalone Broadband Support	Q10. New funds since 2012	Q.11. Is state considering a fund?
VT	N/A	Yes - HC funds must be used for BB. Provide 4/1 Mbps throughout service territory. 50% of HC funding for BB; build wi 5 years; waivers considered	Yes - fund expanded to include BB. Legislation effective 7/1/14	N/A
VA	N/A	N/A	N/A	N/A
WA	Y; based on FCC urban rate floor	No	HC and IAS funds created in 2013	Docket UT-131239 created new fund
WV	N/A	Grants for unserved areas	No	BB Development fund sunsets at end of 2014
WI	Benchmarks tied to median household income by county. Credits calculated on portion of the retail rate above each threshold, much like a progressive income tax. The credits pay for increasing portions of the retail rate as it increases, but never all.	Yes via grant program	No	N/A
WY	130% of statewide average POTs rate; statewide average is \$22.86; benchmark is \$29.71; Act 26 increases benchmark rate to \$30.00	No	No	No

State	Q12. Fund changes since 2012	Q.13. Legislative changes/Rulemakings
AL	N/A	N/A
AK	No fund changes, but assessment has risen include "cost of working capital" (CWC) factor. Revenue base is shrinking but support requirements are not. See TA18-998	No changes under consideration
AZ	None	No changes under consideration
AR	None	
CA	Lifeline: changed definition to allow wireless to participate; Broadband: started fund in response to AB 1299 (2014) using funds transferred from existing accounts; TRS: added speech generating devices.	AB 1299; 2014 USF Rulemaking, 11-11-007, Decision Adopting Rules And Regulations In Phase 1 Of The Rulemaking For The California High Cost Fund-A Program. Small Incumbent Local Exchange Carriers may make additional draws from the California High Cost Fund-A Program in the event of a decrease in their federal subsidy where two criteria are met: (1) the Small Incumbent Local Exchange Carrier has mirrored the federal cap on per line expenses where possible, unless doing so would supplement high cost support, and (2) the Small Incumbent Local Exchange Carriers' investments meet the one network criterion of serving to support both voice and broadband
CO	Changes to HC funds as a result of HB 14-1327, HB 14-1328; HB 14-1329; HB 14-1330; and HB 14-1331	HC support in non-competitive areas only. Added BB fund. The broadband fund consists of "moneys allocated from the HCSM to provide access to broadband service through broadband networks in unserved areas pursuant to §40-15-208 (2)(a)(I)(B), which moneys shall be transferred to the fund upon allocation, and all moneys that the general assembly may appropriate to the fund." HB 14-1328 grants authority to the Commission to transfer HCSM funds under specified conditions: "[T]he commission may transfer to the broadband deployment board only the moneys that it determines are no longer required by the HCSM to support universal basic service through an effective competition determination."

State	Q12. Fund changes since 2012	Q.13. Legislative changes/Rulemakings
CT	No	
DC	N/A	
DE	Broadband fund	No
FL	N/A	No changes under consideration
GA	No	No
HI		
ID	None	2013 legislation reduced LL from \$3.50 to \$2.50/month; changes to USF under review. Staff will summarize industry feedback on USF program and submit to Legislature in 2015 for possible action.
IL	IAS included in a 2013 revision to the HC fund, raising assessment rate from 0.4% to 1.029%	No changes under consideration
IN	N/A	No changes under consideration
IA	N/A	IUB has begun rulemakings to modify rules for local tariffs, local svc requirements, and ETC filings
KS	Yes	USF support for CETCs capped will be reduced 20% yearly until eliminated in 2018. Effective 1/1/2014, ILECs support reduced. No support for deregulated carriers (AT&T), CenturyLink support capped at \$11.4M year. Rural support modified to eliminate support for FUSF changes; capped at \$30M
KY	N/A	
LA	N/A	
ME	Support to FairPoint to be considered in the 2015 legislative session	Report to legislature due 1/15/2015; could result in program changes
MD	11/2013; reduced fund from \$0.18 to \$0.11	No changes under consideration
MA	N/A	N/A

State	Q12. Fund changes since 2012	Q.13. Legislative changes/Rulemakings
MI	IAS fund modified in 2014 to resize amounts; next change 3/2018	FCC Transformation Order making terminating access bill and keep superseded MI terminating IAS rules; originating rules still effective. HB52 (2014) added req. to report any double recovery from CAF or ARC and IAS restructuring to legislature. None has been found to date.
MN	No	Not at this time
MS	No	No changes under consideration
MO	No	Deregulation legislation implemented 8/28/14
MT	No	N/A
NE	Wireless infrastructure grant program (\$5M) merged into BB plan in 2014;	Open proceeding to review contribution mechanism. See NUSF-100, Order Opening Docket and Seeking Comment, November 13, 2014
NV	USF has expanded the number of carriers receiving support. Four applied in 2014. 2 granted, 1 denied support, 1 application pending	State laws SB 41 and SB 489 passed to update Lifeline status. Commission rulemaking updated admin code to meet bill requirements for LL support and implement a 3rd party LL administrator. LL rate will rise in 2015 as funding for administrator is added.
NH	No	2012/2013 changes to COLR rules; ILEC is COLR
NJ	N/A	N/A
NM	Yes. 12/2013 order established a 3% surcharge CAP for 2014 and a reduction in switched access payments by updating minutes in formulas and developing a process for individual ETCs to apply based on need.	Docket 12-00380 http://164.64.85.108/index.asp
NY	No	No
NC	N/A	No
ND	No changes	No changes under consideration
OH	N/A	
OK	No	Considering changes; See 17 OS 139.109; 110; OAC 165:59

State	Q12. Fund changes since 2012	Q.13. Legislative changes/Rulemakings
OR	RSPF assessment reduced to \$0.09/line 1/1/15; moved from distributing money on line counts to a fixed amount. Disbursements will be reduced over time.	No changes under consideration
PA	No	No changes under consideration
RI	N/A	H 5685 would assess E-Rate charges to wireless and VoIP providers as well as landline. See https://legiscan.com/RI/text/H5685/id/1143720/Rhode_Island-2015-H5685-Introduced.pdf
SC	IAS modified to remove all terminating access charges. No modifications are pending.	S277 (2015) would require wireless and VoIP providers to support TRS. See https://legiscan.com/SC/text/S0277/id/1144797/South_Carolina-2015-S0277-Comm_Sub.html
SD	No	None
TN		
TX	Contribution rate change only	Legislation pending to regulate VoIP; could add VoIP to assessment. Other legislation pending to change USF process.
UT	No	No changes under consideration
VT	Yes. Added HC fund with BB requirement. Increased surcharge to 2%.	Implementing BB requirement
VA	N/A	N/A
WA	Old fund replaced	Rulemaking pending in Docket UT-140680; considering changes to existing state line extension policy
WV	BB development fund sunsets	No changes under consideration

State	Q12. Fund changes since 2012	Q.13. Legislative changes/Rulemakings
WI	N/A	<p>In the past, all voice providers, including non-ETCs, were required to provide lifeline service, and the state reimbursed for the costs of lifeline for those providers.</p> <p>The Commission is changing that requirement. If approved, the new rules would still allow participation by non-ETCs, with Commission approval. All ETCs, except those exempted wireless providers, would be required to provide Lifeline, and be eligible for state support for any amounts not covered by the federal reimbursement.</p> <p>Rulemaking in progress.</p>
WY	<p>Yes. Lifeline fund repealed 3/15. HB 37 ends the state Lifeline program. https://legiscan.com/WY/text/HB0037/id/1134361/Wyoming-2015-HB0037-Enrolled.pdf</p>	<p>Act 26 introduced 1/2015 to implement changes to the 1995 Wyoming Telecommunications Act, including changes to limit USF funding to areas with no competition for basic service. See http://legiscan.com/WY/text/SF0043/2015;</p>