

Public Service Commission of Wisconsin

Rebecca Cameron Valcq, Chairperson
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4822 Madison Yards Way
P.O. Box 7854
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February 17, 2021

Senate Chief Clerk Michael J. Queensland
State Senate Journal and Records
B20 Southeast, State Capitol
P.O. Box 7882
Madison, WI 53707

Assembly Chief Clerk's Office
State Assembly Records
17 West Main Street
Room 401
Madison, WI 53703

Re: Administration of the Universal Service Fund

5-UF-2020

Dear Chief Clerks:

The Public Service Commission of Wisconsin (Commission) is pleased to present the Universal Service Fund (USF) Report to the Legislature. Established in 1993, Wisconsin's USF operates in four separate state agencies, administering a wide range of programs focused on promoting access to essential and advanced telecommunications services.

At the Commission, this includes:

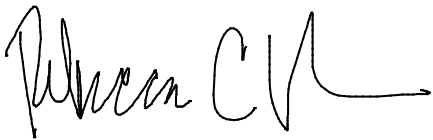
- The Lifeline program that discounts telephone and bundled internet services for low-income customers;
- The Telecommunications Equipment Purchase Program (TEPP) that provides financial assistance to purchase specialized equipment for people with disabilities to access telecommunications;
- The Telemedicine Equipment grant program that promotes access to telecommunications for patients in rural or underserved areas who need access to specialized medical professionals and services; and,
- The Non-Profit Grant Program which enables non-profit groups to apply for partial funding of programs or projects that will facilitate affordable access to telecommunications, including internet access.

At the Department of Administration, the Department of Public Instruction, and the University of Wisconsin, the USF supports:

- Access to materials for people who are blind;
- Digital communications for Wisconsin's schools, libraries and UW campuses;

- Grant programs supporting teacher training on technology, and funding infrastructure supporting the use of technology for instruction; and so much more.

Through promotion of access to telecommunications, the USF seeks to make our society's use of telecommunications technology—to connect, education and learn—universal for all Wisconsinites.

A handwritten signature in black ink, appearing to read "Rebecca CV", with a long horizontal flourish extending to the right.

Rebecca Cameron Valcq
Chairperson
Public Service Commission of Wisconsin

RCV:HMLO:kle DL:01783113

Attachment: USF Report

Report to the Legislature

Universal Service Fund

July 1, 2018 through June 30, 2020



Public Service Commission
4822 Madison Yards Way
Madison, Wisconsin 53705

Foreword

Across the nation the telecommunications industry is in flux. Changes in customer calling habits and choice of telecommunications services are shifting away from retail switched-access lines (landlines) to services with voice-over-broadband, and to mobile voice service with access to high-speed internet access. The impact of these trends on the telecommunications industry in general, and on Wisconsin's Universal Service Fund (USF) programs, are discussed in this report.

This report satisfies the statutory request for a biennial report on universal service found in Wis. Stat. § 196.218(5r) for the period of July 1, 2018 to June 30, 2020. Previous versions of this report may be found on the Commission website at <https://psc.wi.gov/Pages/Commission-Reports.aspx>.

Please note that charts, graphs, and data in this report includes years previous to the period addressed by this report. These years are included to provide the reader with a broader understanding of longitudinal changes.

Universal Service Fund

Background and History: The Wisconsin Universal Service Fund (USF) was established by 1993 Wisconsin Act 496.¹ The purpose of the Fund is to promote universal access to essential and advanced telecommunications services through discounted rates for service and targeted grant programs². Essential telecommunications services³ are provided by both landline and wireless carriers. A wireless or wireline carrier that has been designated as an Eligible Telecommunications Carrier (ETC)⁴ by the Public Service Commission of Wisconsin (Commission) may receive federal and state USF funds to offset a portion of the cost of providing service.

The USF provides support to carriers to assist the following groups of customers to obtain affordable access to essential telecommunications service: (a) customers in areas of the state that have relatively high costs of telecommunications services, (b) low-income customers, and (c) customers with disabilities. USF dollars fund programs at the following Wisconsin agencies: the Commission, the Department of Administration (DOA), the Department of Public Instruction, and the University of Wisconsin (UW) System. The programs at each agency are described in this report under Universal Service Programs and Activities.

The Broadband Expansion Grant program was authorized by 2013 Wisconsin Act 20, and is codified at Wis. Stat. § 196.504. 2015 Wisconsin Act 55 transferred the program to the USF. Prior to the transfer, the legislature funded the broadband grant program for FY 2014 and 2015 with a transfer of funds from DOA's Information Technology and Communications Services account. In Fiscal Years (FY) 2016 and 2017, the grant program was funded by a transfer from the USF fund balance. In FYs 2018, 2019 and 2020 the grant program was funded by a transfer from the USF fund balance and a transfer from DOA's federal USF E-Rate Aid appropriation. The Broadband Expansion Grant program does not currently receive funds directly through the state USF assessment.

Contributions to the Fund: All telecommunications providers, including VoIP and wireless service providers, are assessed a proportionate share of the cost of the state USF program. Assessments are based on the gross intrastate retail voice telecommunications revenue reported annually to the Commission⁵. The Commission currently exempts telecommunications providers with USF assessable annual revenues of less than \$200,000 from the USF assessment⁶.

¹ See Wis. Stats. § 196.218.

² Under 2011 Wisconsin Act 22, "advanced telecommunications," formerly a USF targeted offering, was removed from the definition of essential telecommunications service.

³ Wis. Stats. § 196.218(1)(a), "Essential telecommunications services means the services or functionalities listed in 47 CFR 54.101(a)."

⁴ Wis. Stats. § 196.218(4)(a), "...eligible telecommunications carrier pursuant to 47 USC 214."

⁵ Wis. Admin. Code § PSC 160.18 and Wis. Stat. § 196.218(3)

⁶ Wis. Admin. Code § PSC 160.18(1).

In general, the Commission calculates the USF assessment rates using the appropriated amounts approved in the state budget for each USF-funded program⁷. In recent years, the Commission has considered the existing USF fund balance, projected expenditures, and funding from other sources when setting the USF assessment rates. The assessment is a monthly rate, adjusted annually. Providers paying a USF assessment⁸ may pass along their payment obligations to customers through a service fee on the customer's bill.⁹ State general purpose revenue does not contribute to the USF.

The changing nature of telecommunications services, specifically the trend away from retail voice telephone service¹⁰, has affected the assessable revenues reported for purposes of the USF in Wisconsin. Table 1 shows the changes in USF and Telecommunications Trade Practices (TTP) assessable revenue for the period from 2014 to 2019.

During this period, the total assessable USF revenue declined 41.2 percent while the total assessable TTP revenue dropped by 27.3 percent. For both types of assessable revenue, the drop was most dramatic from 2018 to 2019 with decreases of 20.2 and 18.7 percent, respectively.

Table 1¹¹

	USF		TTP	
	Assessable Revenue (million \$)	% Change	Assessable Revenue (million \$)	% Change
2014	\$1,747		\$4,596	
2015	\$1,724	-1.32%	\$4,571	-0.54%
2016	\$1,511	-12.35%	\$4,360	-4.62%
2017	\$1,406	-6.95%	\$4,467	2.45%
2018	\$1,287	-8.46%	\$4,110	-7.99%
2019	\$1,027	-20.20%	\$3,343	-18.66%

⁷ See Table 2.

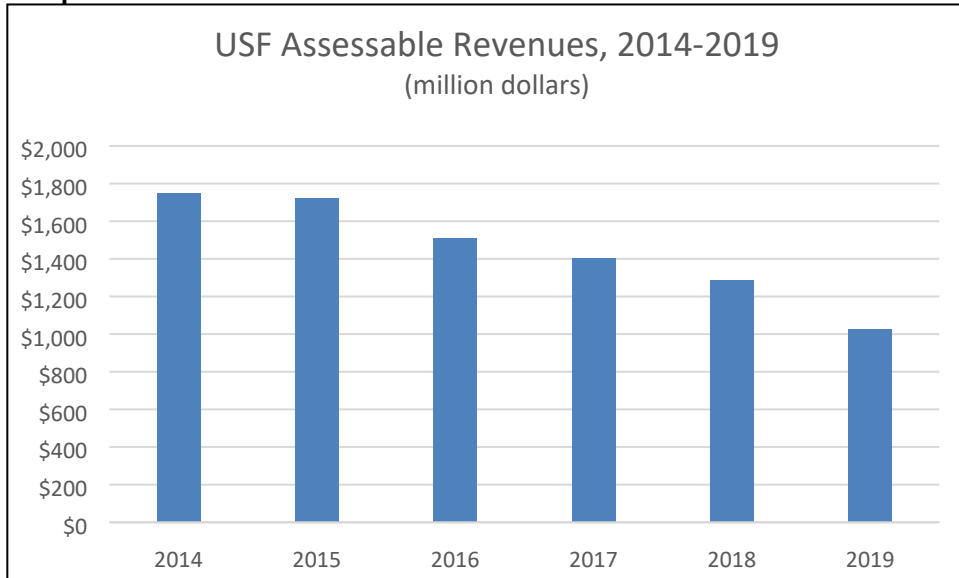
⁸ See: <https://psc.wi.gov/Documents/usf/assessment%20Providers.pdf>

⁹ Wis. Stats. § 196.218(3)(e) and (f).

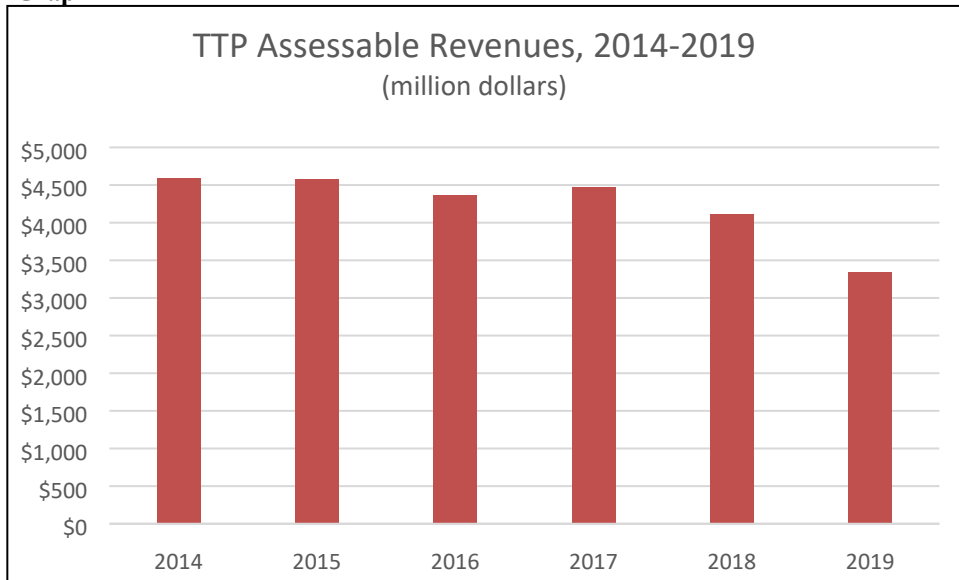
¹⁰ See Graph 2.

¹¹ Source: Commission staff calculations.

Graph 1



Graph 2



The TTP assessment is based on the sum of all telecommunications-related operating revenue in Wisconsin, reported by telecommunications providers for the year prior to the report. The aggregate TTP assessable revenue provides a picture of the status of the telecommunications industry in the state as a whole. The decrease in assessable revenues in Wisconsin's telecommunications industry since 2014, with the exception of 2017, may be due to revenues accounted for differently due to federal regulatory changes, and some due to changes in the industry.

Table 2¹²

Recent USF Assessment Rates		
Period (Oct. to Sept.)	Overall Assessment Rate (%)	Total Budgets and Appropriations
2016 - 2017 ¹³	.24487	\$43,061,500
2017 - 2018 ¹⁴	.23787	\$41,225,800
2018 - 2019 ¹⁵	.28476	\$43,103,900
2019 - 2020 ¹⁶	.29227	\$42,502,100

By contrast, the aggregate USF assessable revenue may provide a better picture of the current state of traditional landline telephone services. Although wireless and VoIP carriers report USF assessable revenue and pay an assessment for USF, the overall decline in assessable revenue may indicate that people continue to substitute text messaging and other non-assessable communications formats for traditional telephone services. In general, in Wisconsin, revenues from text, data and other non-voice services are not subject to assessment. The decline in assessable revenue combined with stable costs of USF programs contributed to the overall increase in the USF assessment rate in recent years.

The mechanism that governs contributions to the federal USF and assessments for the state USF did not account for the shift of subscribers from assessable to non-assessable telecommunications services. This trend is apparent in data from the most recent Federal Communications Commission (FCC) report on Voice Telephone Services¹⁷ which looks at subscribership, nationwide, for the following services:

- *Retail switched-access lines* are telecommunications services offered over traditional analog landline facilities. This technology provides a low-speed data rate and is used primarily for voice communication.
- *Voice over internet protocol (VoIP) service* is a computer-based technology where voice and data messages are formatted using internet protocol, and transmitted by subscribers over a telephone network with Digital Subscriber Line (DSL) capability or over a cable television network equipped with a cable modem.

¹² Source: PSC staff calculations.

¹³ Docket 5-UF-2016, [PSC REF#: 292859](#)

¹⁴ Docket 5-UF-2017, [PSC REF#: 332694](#)

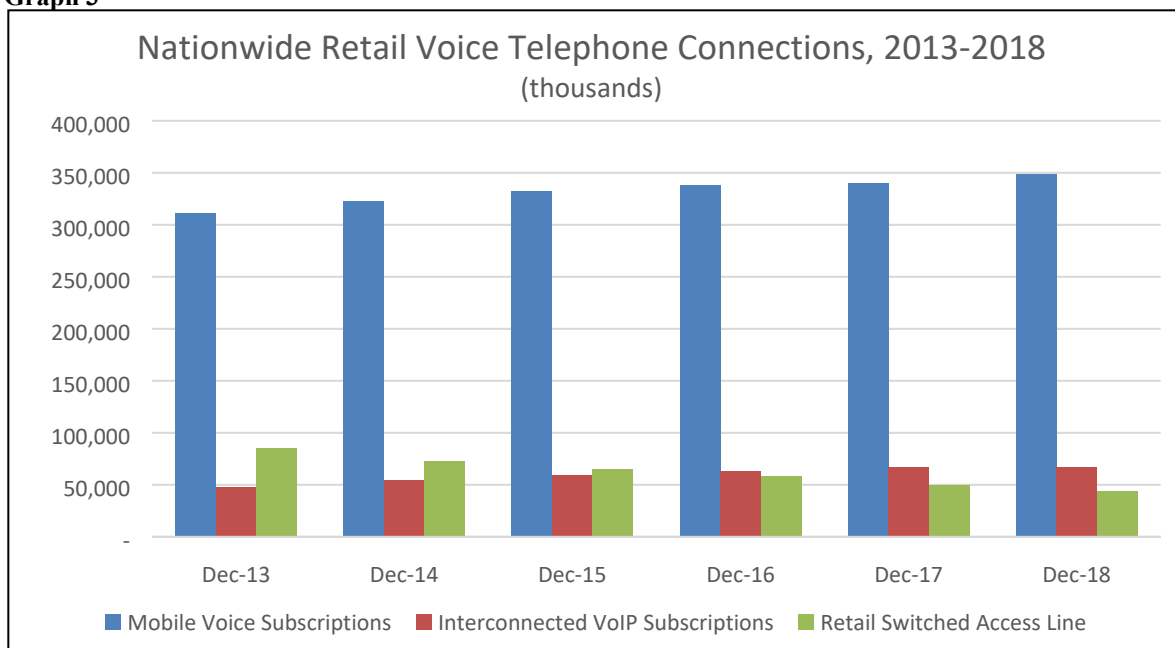
¹⁵ Docket 5-UF-2018, [PSC REF#: 351411](#)

¹⁶ Docket 5-UF-2019, [PSC REF#: 377342](#)

¹⁷ *FCC Voice Telephone Services: Status as of December 31, 2018*, <https://docs.fcc.gov/public/attachments/DOC-362882A1.pdf>, released March 6, 2020, and *Status as of December 31, 2016*, <https://docs.fcc.gov/public/attachments/DOC-349075A1.pdf>, released April, 2017.

- *Fiber to the home (FTTH)* provides communications service by connecting a business or residence to the switch entirely by fiber, avoiding altogether the limitations of copper media.
- *Fixed- and mobile-wireless services*, both pre-paid and subscription services, feature a variety of alternative voice and data plans.
- *Satellite-based communications* services offer an alternative for individuals located in remote areas with few to no other alternative sources of broadband. This technology is affected more than the others by adverse weather and network congestion.

Graph 3



While the USF programs may support access to broadband through its Lifeline eligible services¹⁸ the Lifeline program is only available to Eligible Telecommunications Carriers and Lifeline offerings for broadband service are extremely limited. In Wisconsin, revenues earned by broadband providers are not subject to assessment.

Over time, as the cost of assessments disproportionately falls to smaller groups of providers—and their customers—the current trends in subscribership may be exacerbated, as businesses and individual seek less expensive options. Addressing this issue will require statutory and administrative code revisions in Wisconsin.

¹⁸ Lifeline-eligible services are described here: <https://www.usac.org/lifeline/get-started/eligible-services/> Only ETCs providing these services are able to provide a Lifeline discount to customers, and receive a reimbursement of that discount from the federal and state USFs.

Statutory Report on Universal Service

This report addresses specific standards established in Wis. Stat. § 196.218(5r):

1. The affordability of and accessibility to a basic set of essential telecommunications services throughout this state.
2. The affordability of and accessibility to high-quality education, library and health care information services.
3. Financial assistance provided under the USF.
4. An assessment of how assistance provided by the USF and other alternative incentive regulations of telecommunications utilities designed to promote competition have been in advancing the public interest goals identified under Wis. Stat. 196.03(6), and recommendations for further advancing those goals.

At the end of the period covered by this report, the value and importance of access to and affordability of telecommunications was thrown into stark relief when the COVID-19 pandemic closed schools, universities and colleges, businesses, parks, churches, and places of employment; beginning a rapid transition to virtual schooling, work, community activity, worship, and recreation. At the same time, the economic hardships that resulted from the pandemic demonstrated that affordability of telecommunications services is a significant driver in the ability of community members to participate in society.

- **The affordability of and accessibility to a basic set of essential telecommunications services throughout this state**

2011 Wisconsin Act 22 codified a choice to rely on competition and market forces to provide affordable telecommunications services for Wisconsin residents. The most recent FCC Voice Telephone Services Report¹⁹ documents an increasing level of competition in the state. In particular, the FCC report shows clear evidence that Wisconsin subscriber trends are in-line with national trends regarding the shift to wireless and VoIP telecommunications services from traditional landline telephone services.

Table 3²⁰

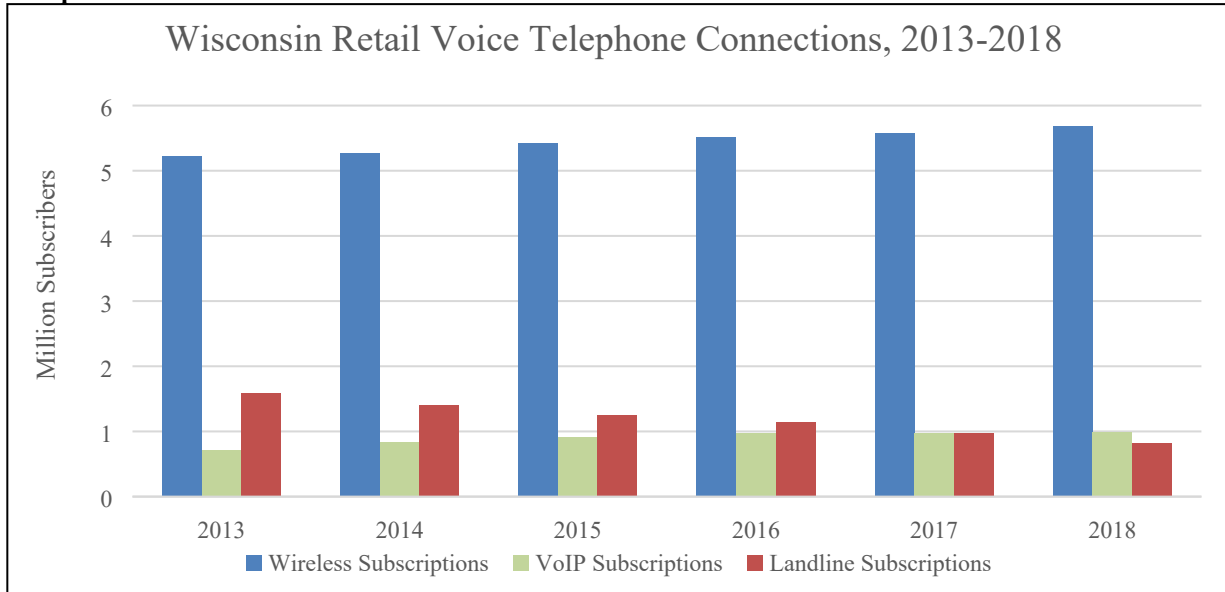
Year	Landline Subscriptions	VoIP Subscriptions	Wireless Subscriptions
2013	1.59 million	714,000	5.23 million
2014	1.41 million	840,000	5.27 million
2015	1.25 million	917,000	5.42 million
2016	1.14 million	973,000	5.51 million

¹⁹ FCC Voice Telephone Services: Status as of December 31, 2018, <https://docs.fcc.gov/public/attachments/DOC-362882A1.pdf>, released March 6, 2020.

²⁰ Source: 2013 and 2014 data from the FCC Local Telephone Competition Reports, Tables 9 and 18, <https://www.fcc.gov/general/local-telephone-competition-reports>; 2015 to present from the FCC Voice Telephone Services Report, State Level Subscriptions and State-Level Provider Counts, <https://www.fcc.gov/voice-telephone-services-report>.

Year	Landline Subscriptions	VoIP Subscriptions	Wireless Subscriptions
2017	978,000	973,000	5.57 million
2018	827,000	996,000	5.68 million

Graph 4



On average, landline subscriptions have fallen 12.1 percent annually from 2013 to 2018 while VoIP subscriptions increased by an average of 7.1 percent during that same period. Wireless subscriptions have seen a slower increase, with an average annual increase of 1.7 percent.

Whether these changes in the make-up of retail options resulted in a reduction in the overall percentage of Wisconsinites without any telephone service is difficult to measure. While subscribership was expected to increase, reflecting the anticipated, increased numbers of phones per household, the slight, annual, average decrease of 0.1 percent from 2013 to 2018 may instead reflect a shift to increased communications through non-voice communication channels.

The Commission USF programs directly address affordability and accessibility of telecommunications:

- **Lifeline:** The Wisconsin Lifeline program is the USF low-income program, and is complementary to the national Lifeline program. After the application of the federal reimbursement, ETCs in Wisconsin may receive a per customer benefit that lowers the customer's phone bill to approximately \$15. The maximum state discount is \$9.25 per customer²¹.

²¹ Wis. Admin. Code § PSC 160.062(2g)

During the period of this report, the state was finishing its transition from the Wisconsin-developed Carrier Access for Lifeline Eligibility Requests (CALER) tool, to the nationwide eligibility tool, the National Verifier (NV). The transition to the NV improves on the efficiency of CALER by adding accessibility to federal databases²², and by allowing customers, advocates, carriers, and family members to assist with the eligibility determination process through the web-based tool. Overall, this tool improves the accessibility to affordable, basic telecommunications.

The estimated 2020 Lifeline participation rate in Wisconsin is 24 percent, one percent less than the national average of 25 percent²³ Commission staff are working to increase participation in the Lifeline program by reaching out to community agencies with information about changes to Lifeline ([PSC REF#: 388213](#)) and sharing information about the program ([PSC REF#: 388214](#)).

Subscribership is slowly increasing, and staff anticipates a month-on-month increase of approximately 1.5 percent for the foreseeable future:

Table 4

	Total Subscribers					Grand Total
	Broadband	Bundled Broadband	Bundled Voice	Bundled Voice and Broadband	Voice	
April 2020	155	75,504	1,575	29,556	9,697	116,487
May 2020	168	76,702	1,586	30,333	9,511	118,300
June 2020	166	77,990	2,000	30,664	9,308	120,128

In order to ensure low income residents can continue to access affordable telecommunications service during the pandemic, the FCC broadened the income documentation requirements for Lifeline, postponed all re-verification and re-certification activities, and stopped all involuntary de-enrollment, including due to non-usage²⁴.

Additionally, the Commission established the Internet & Phone Helpline at the end of April following the onset of the pandemic to specifically address questions about access to the internet, and to assist customers with Lifeline questions. The helpline received more than 200 calls between April 26 and June 30, 2020.

²² The federal Housing and Urban Development (HUD) and the Veterans Administration (VA) databases that demonstrate participation in qualifying program were not accessible under CALER. These databases are available under the NV.

²³ <https://www.usac.org/lifeline/learn/program-data/>

²⁴ <https://www.usac.org/lifeline/additional-requirements/covid-19-response/> and <https://www.fcc.gov/document/wcb-extends-covid-related-lifeline-program-waivers-through-feb-2021>

- Non-Profit Access Program: The Non-Profit Access Grant Program funds programs and projects that assist customers located in areas of the state with relatively high costs of telecommunications service, low-income customers, and customers with disabilities to obtain affordable access to a basic set of telecommunications service²⁵.

During the 2018 and 2019 grant funding cycles²⁶ the Commission awarded a wide range of grants that funded projects²⁷ such as:

- Access to computers and telephones for low-income community members. Some programs provided training, instruction and assistance with employment, medical services, schooling, and general communication.
- Purchase of phones for low-income clients to access employment, medical services, schooling, and general communication.
- Funding for payment of internet bills for low-income families with students participating in virtual schooling, especially in rural communities.
- Programs to assist people with disabilities, and tribal members, to identify appropriate telecommunications assistive technology through presentations, try-outs, and assistance purchasing equipment.
- Establishment of wi-fi networks accessible to the public to allow use of the internet when broadband access at home is not available or affordable.

The success of these programs is determined by reporting submitted by grantees, many of whom apply for funding in multiple funding cycles. A summary of 2018 and 2019 grantee reports was compiled as part of the 2020 funding cycle ([PSC REF#: 392930](#), Attachment B). Additional information is on the Commission website²⁸.

- Telecommunications Equipment Purchase Program: The Telecommunications Equipment Purchase Program (TEPP) supports the purchase of specialized telecommunications equipment for people with hearing, speech, and mobility disabilities through a voucher program²⁹.

²⁵ See: Wis. Admin. Code § PSC 160.125(2).

²⁶ The USF Non-Profit Access program is funded in the USF budget in the fiscal year preceding the program. For example, funds for the 2018 grant funding cycle (July 1, 2018 to June 30, 2019) were obligated in the SFY 2018 USF budget Order ([PSC REF#: 332044](#)). Funds for the 2019 grant funding cycle (July 1, 2019 to June 30, 2020) were obligated in the SFY 2019 USF budget Order ([PSC REF#: 350197](#)).

²⁷ See: 2018 Memo ([PSC REF#: 342987](#)) and Order ([PSC REF#: 343892](#)) describing funded projects, and 2019 Memo ([PSC REF#: 367628](#)) and Order ([PSC REF#: 371904](#)) describing funded projects.

²⁸ See: <https://psc.wi.gov/Pages/Programs/NonProfitGrants.aspx>

²⁹ During the period covered by this report, this program was funded at \$1.425 million in SFY 2019 ([PSC REF#: 376535](#)) and \$1.15 million in SFY 2020 ([PSC REF#: 397059](#)).

Applicants apply for and are issued a voucher depending on their disability, and use the voucher to purchase equipment³⁰ through a network of authorized vendors. Voucher amounts are based on average costs of specialized equipment commonly used by people with different types of disabilities. Customers may apply for a new voucher to purchase updated equipment once every three years.

The Commission issued an Order adopting TEPP Vendor Protocols ([PSC REF#: 393136](#)) which updated the existing TEPP vendor guidelines. All TEPP vendors were required to submit a signed acceptance of the protocols, allowing for oversight and monitoring of program spending.

The success of TEPP is rooted in a commitment to individualized equipment that matches with the specific telecommunications needs of an individual. TEPP application information, a list of authorized vendors, and equipment are available on the Commission website³¹.

- TEPP Outreach Grant Program: The TEPP Outreach Grant Program is an annual, non-competitive program funded at \$350,000 split evenly between Wisconsin's Independent Living Centers³² who are experts in assistive technology and have equipment try-out centers to assist customers to find the specialized telecommunications equipment best suited to their needs. This program was established in 2017 ([PSC REF#: 368239](#)).
- **The affordability of and accessibility to high-quality education, library and health care information services³³.**

One method to measure accessibility to information services is to consider the percentage of residents in the state with access to broadband services meeting the current FCC definition for advanced telecommunications capability, which requires access to actual download speeds of at least 25 Mbps and actual upload speeds of at least 3 Mbps.³⁴

Deployment rates for fixed, terrestrial 25/3 (download/upload speeds) Mbps vary based on geographic location³⁵. For example, while Wisconsin has an overall deployment rate of 92.9 percent, rural census blocks have a rate of 77.3 percent, and tribal lands have a rate of 82.3 percent—roughly comparable with the U.S. rates.

³⁰ Vouchers pay most equipment costs; for some disability categories a co-payment of \$100 is required. Eligible customers may have their co-pay paid by the Telecommunications Assistance Program administered by the Wisconsin Department of Health Services.

³¹ See: <https://psc.wi.gov/Pages/Programs/TEPP.aspx>

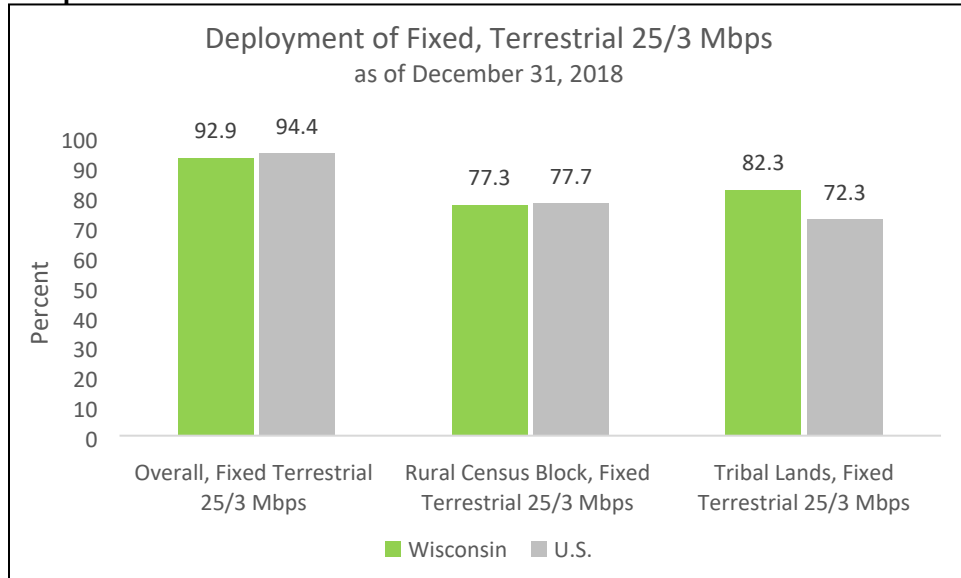
³² See: <https://www.dhs.wisconsin.gov/disabilities/physical/ilcs.htm>

³³ The notation of all speed references will be: downstream/upstream.

³⁴ See 2020 FCC Broadband Deployment Report, April 24, 2020, <https://docs.fcc.gov/public/attachments/FCC-20-50A1.pdf>, paragraph 15.

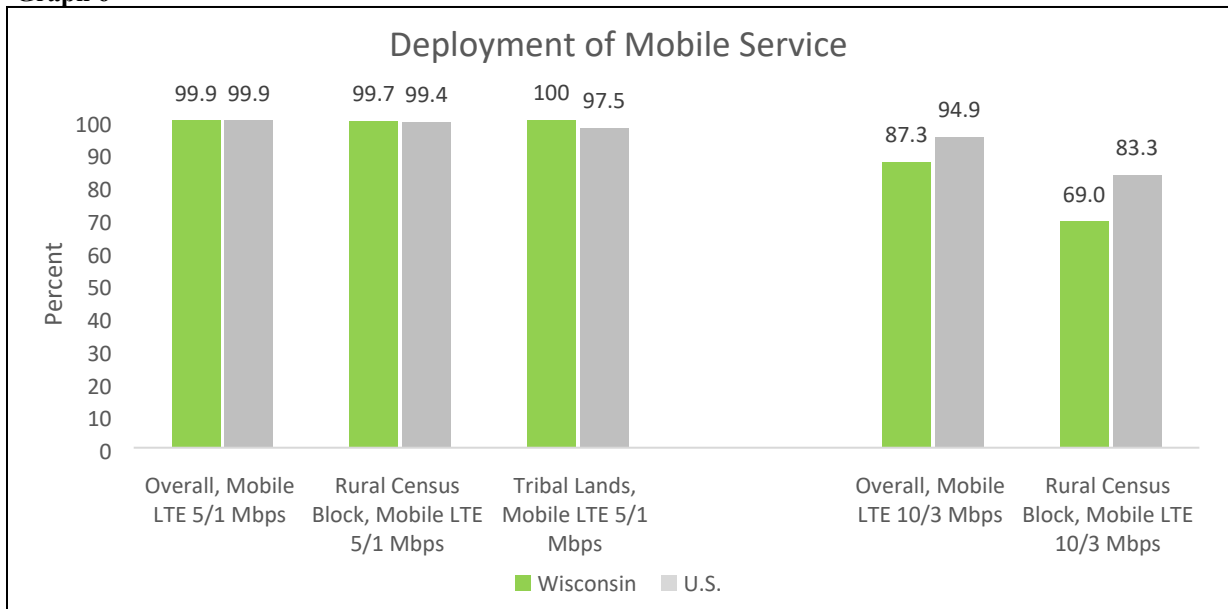
³⁵ *Ibid*, Appendix 1 and Appendix 6, as of December 31, 2018.

Graph 5



The FCC also looked at the availability of mobile service by state, providing coverage data for two mobile service standards. In deployment of Mobile LTE 5/1 Mbps, Wisconsin is roughly comparable to the U.S., but lags in deployment of Mobile LTE 10/3 Mbps.

Graph 6



There is disparity between the quality of broadband service available in urban areas and that available in many rural areas of the state. This is mitigated to some degree by the availability of a mobile service. However, the FCC has found that a fixed broadband

service with a speed of 25/3 Mbps and mobile wireless are not functional substitutes for each other. The higher price, lower speeds and significant data caps that are common with mobile services limit the utility of those options when compared to a wireline alternative.

- High-Quality Education and Library Information Services: The Wisconsin Department of Public Instruction (DPI), the UW System, and the DOA receive funding through the USF to target affordability and accessibility to high-quality education and library information services. Additionally, the Commission's 2019 Non-Profit Access Grant Program awarded funding to the Webster Educational Foundation and their partner, the Cooperative Educational Service Agency (CESA) #11 to provide training and outreach to 727 low-income, English language learner families in four northwestern Wisconsin school districts to help families access Lifeline, discounted internet services, and to purchase hot-spots for families to check out. The project also provided insights to how schools can better understand the level of service families have to connect with virtual school³⁶.

The 2020 Non-Profit Access Grant Program received several applications from libraries to fund technology access programs for patrons including device check out, and hot-spot check-out.

- High-Quality Health Care: The Commission addresses access to affordability of high-quality health care information services through the Medical Telecommunications Equipment Program, or Telemedicine Grant Program. This program was developed to: (a) encourage the use of telecommunications equipment and service to promote technology advanced medical services, (b) directly or indirectly enhance access to medical care in rural or underserved areas of the state, and (c) directly or indirectly enhance access to medical care by underserved populations or persons with disabilities.³⁷

The Commission awards up to \$1 million in grants in this program once every two years. Common types of telehealth equipment funded under this program include:

- Telemedicine carts which facilitate consultation with specialists in rural areas of the state without specialists.
- Home Health Monitoring Units which use the internet to facilitate check-ins with medical staff without the patient having to travel.

³⁶ See the final report submitted by the Webster Educational Foundation/CESA#11, [PSC REF#: 394567](#).

³⁷ See Wis. Admin. Code § PSC 160.115 and Wis. Stat. § 196.218(4u).

A summary of the 2020/2021 applicants and awards are summarized in the Memorandum ([PSC REF#: 388485](#)) and the Order ([PSC REF#: 390971](#)). Additional information is available on the Commission website³⁸.

- **An assessment of how assistance provided by the universal service fund and other alternative incentive regulations of telecommunications utilities designed to promote competition have advanced the public interest goals identified under Wis. Stat. § 196.03(6), and recommendations for further advancing those goals.**

Most of the regulation of telecommunications services that once existed was eliminated by 2011 Wisconsin Act 22, and as a result the Commission has a limited opportunity to affect the manner in which retail telecommunications services are offered to customers. Competitive telecommunications service provides consumers with multiple choices and a variety of prices in some markets, and has left consumers with limited and insufficient service in other markets.

The Commission, through broadband grants and ongoing efforts through the Commission's USF programs, works to advance the accessibility and affordability of telecommunications for all citizens. These goals are well-served when access to telecommunications is as commonplace and pervasive as access to electricity; true universal service.

³⁸ See: <https://psc.wi.gov/Pages/Programs/TelemedicineGrants.aspx>

Universal Service Programs and Activities

The programs in the USF, and the appropriations for each program, are as follows:

Table 5³⁹

PROGRAM	FY 2017	FY 2018	FY 2019	FY 2020
PSC – Universal Service Programs ⁴⁰	\$5,940,000	\$5,940,000	\$5,940,000	\$5,940,000
PSC – Broadband Expansion Grants ⁴¹	\$1,500,000	\$14,000,000	\$0	\$22,000,000
DPI – Badgerlink, Newslite for the Blind	\$2,902,200	\$2,919,100	\$2,937,500	\$2,937,500
DPI –Aid to Public Library Systems ⁴²	\$15,013,100	\$15,513,100	\$16,013,100	\$16,013,100
DPI – Library Service Contracts	\$1,167,200	\$1,170,400	\$1,174,300	\$1,307,500
DPI – Digital Learning Collaborative	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
UW Telecommunications Services	\$1,054,800	\$1,054,800	\$1,054,800	\$1,054,800
DOA – TEACH ⁴³	\$15,984,200	\$21,984,200 ⁴⁴	\$15,984,200	\$15,984,200
TOTAL APPROPRIATED AMOUNT	\$44,561,500	\$63,581,600	\$44,103,900	\$66,237,100
TOTAL FUNDED BY USF ASSESSMENTS	\$43,061,500	\$41,225,800	\$43,103,900	\$42,502,100

Each of these programs is described in detail below. It is worth noting that from FY 2017 to FY 2020, the TEACH and DPI –Aid to Public Library Systems represent more than half of the annual appropriated amount for the USF.

BadgerLink and Newslite for the Blind: BadgerLink funding is for contracts to online materials that support lifelong learning. The BadgerLink sources include materials originally published in newspapers serving Wisconsin communities and cities nationwide; job skill building and test preparation workbooks; business news and company and market data; reference works on history, mathematics, humanities, science, literature, computing and information technology, arts, education, and medicine and health; encyclopedias; auto repair resources; general interest and academic magazines; multimedia collections about children’s literature; and local history and genealogy sources. BadgerLink databases can be accessed from any computer, tablet, or

³⁹ Source: 2017 Wisconsin Act 59 and 2019 Wisconsin Act 9.

⁴⁰ In FY 2018 and FY 2020, the assessment amount for PSC’s Universal Service Programs was based on the internal operating budget, as approved by the Commission. See Graph 5 for operating budget amounts.

⁴¹ Broadband Expansion Grants are not funded by USF assessments. Rather, the appropriated amount is funded by transfers from the USF fund balance and the DOA Federal E-Rate appropriation. In addition to the appropriated amount, Wis. Stat. 196.218(2s) sets forth a \$2.0 million minimum annual funding requirement from the USF fund balance. This is was first effective for FY 2019.

⁴² \$500,000 of the FY 2018 Aid to Public Library Systems appropriation and \$1,000,000 of the FY 2019 appropriation was funded by a transfer from the DOA Federal E-Rate appropriation

⁴³ Technology for Educational Achievement.

⁴⁴ \$6,000,000 of the FY 2018 DOA-TEACH appropriation was funded by a transfer from the DOA Federal E-Rate appropriation.

smartphone connected to the Internet, making them available in public, K-12 and college and tech college libraries, homes, and workplaces. BadgerLink also connects users to WISCAT, the online catalog of materials owned by Wisconsin public and school libraries.

Newsline funds a contract with the National Federation of the Blind (NFB) to provide Wisconsin residents access to the Newsline service. NFB-NEWSLINE is a free audio news service for anyone who is blind, low-vision, or otherwise print-disabled that offers access to more than 500 publications, emergency weather alerts, job listings, and more. The Newsline appropriation also funds a contract with the Wisconsin Talking Book and Braille Library to act as the mandatory Newsline state service hub.

DPI – Aid to Public Library Systems: These funds go directly to public library systems annually and are intended to promote development and improvement of public libraries through library systems and to provide opportunities for cooperation among all types of libraries. Required services include sharing of books and other resources among libraries through technology and delivery, reference referral, continuing education, services to users with special needs, resource library services, collection development, and consulting services. State aids are distributed according to a statutory formula.

DPI – Library Service Contracts: These funds are used for annual contracts that allow Wisconsin residents to use materials from the UW-Madison and Milwaukee Public Library through interlibrary loan; and they support the programs and services of the Cooperative Children’s Book Center (CCBC) and the Wisconsin Talking Book and Braille Library (WTBBL).

The CCBC is a non-circulating examination, study, and research library for Wisconsin school and public librarians, teachers, early childhood care providers, university students, and others interested in children's and young adult literature, and administers the statewide Read On Wisconsin literacy program. The CCBC is part of the University of Wisconsin-Madison School of Education.

The WTBBL collaborates with the National Library Service for the Blind and Physically Handicapped (NLS) to provide Wisconsin residents who cannot see regular print materials, access to audio books and braille materials. WTBBL currently serves nearly 7,000 registered patrons and more than 580 institutions (e.g. libraries, schools, nursing homes, veteran’s centers).

DPI – Wisconsin Digital Learning Collaborative (WDLC): The funds support the Wisconsin Digital Learning Collaborative, who provide access to digital content, a learning management system, professional learning, and district planning support to school districts. As the provider of the statutory web-based academy, WDLC provides services to public school districts, private schools and charter schools.

UW Telecommunications Services: The funds help to offset the costs associated with access to BadgerNet for University of Wisconsin campuses.

DOA – TEACH: These funds subsidize equipment purchases, installation, and a portion of the monthly service costs for access to BadgerNet for more than 900 K-12 schools, technical colleges, public libraries, Cooperative Educational Service Agencies (CESAs), and other public and private institutions statewide. BadgerNet is a broadband voice and data network operated by a consortium of telecommunications providers under a contract with DOA. Beginning in FY 2016, the funds were also used for two grant programs: the Educational Technology Teacher Training Grants program, funding training for teachers on the use of educational technology; and the Information Technology Block Grants program, funding technology infrastructure for school districts to better use technology for instruction.

PSC – Universal Service Programs: These funds are administered through the Commission, and include a variety of programs to enable or subsidize access to telecommunications services for certain populations in Wisconsin. The specific programs that are managed by the Commission are described below.

Telecommunications Equipment Purchase Program (TEPP): TEPP assists persons with disabilities to purchase certain telecommunications equipment needed to use the telephone system. Examples of equipment that can be purchased with the vouchers include amplified phones, TTYs,⁴⁵ speech amplified phones, and signaling systems (such as flashing lights which replace audible rings). Qualifying individuals receive vouchers which are used to pay approved vendors for a portion of the cost of specialized telecommunications equipment.

Voucher values vary for different types of disabilities because the typical equipment needs of persons in different disability categories vary in price. In most cases, the purchaser must make a \$100 co-payment when purchasing the equipment. If the co-payment and voucher are not sufficient to cover the equipment price, the purchaser pays the remainder amount. Low-income eligible individuals may qualify for funding to pay the \$100 co-payment.⁴⁶ From FY 2019 to FY 2020, approximately \$2.15 million in vouchers were used by 4,765 individuals with disabilities to assist them in accessing basic telecommunications services.

Two-line Voice or Speech Carryover: Two-line voice or speech carryover is a service that some persons with hearing or speech disabilities use to communicate over the telephone. With carryover service, two lines are used – on one line, a TTY or captioned telephone⁴⁷ is used to receive *or* send text, while on the second line the user may listen or speak for themselves. This program reimburses ETCs whose customers use two-line voice or speech carryover.

⁴⁵ TTYs are electronic typewriter devices that people with speech or hearing disabilities use to send or receive typed messages.

⁴⁶ The Telecommunications Assistance Program (TAP) may be able to pay the \$100. TAP is a program of the Office for the Deaf and Hard of Hearing in the Wisconsin Department of Health Services. TAP is only for persons in low-income households who are Deaf or severely hard of hearing.

⁴⁷ A captioned telephone combines the functions of a traditional phone and TTY. Users can both hear the conversation and see the streaming text transcript of the call.

USF rules allow a customer to get a second line without a service connection charge and without a monthly charge for most of the costs of that second line. Captioned telephone users have traditionally used the two-line feature. Total costs for this program remain small relative to other USF programs. For the period of this report, a total of \$8,902.77 was paid to ETCs in this program to reduce the cost of the second line.

High Rate Assistance Credits: The high rate assistance credit (HRAC) program provides USF payments to local exchange service providers to reimburse them for credits given to customers to keep local rates at affordable levels. Monthly service rates are compared to median household incomes for each county. If the rate that a telecommunications company charges exceeds the threshold established in the rules, the customers pay the threshold price and the USF pays the balance. Adjustments in funding levels for this program are dependent on changes in income levels for the county and changes in local service rates.

The expenditures for this program have declined dramatically over the past 17 years. The annual peak of expenditures during that period was \$1.3 million and expenditures during the years covered by this report are zero.

The implementation of major reforms of inter-carrier compensation rates (the rates paid between telecommunications companies that exchange traffic) mandated by the Federal Communications Commission (FCC) were predicted to result in significant offsetting local rate increases, which would have increased expenditures from the HRAC. However, the proliferation of alternatives to the traditional landline service such as wireless and VoIP options have created enough competitive pressure to prevent the landline provider from making the offsetting price increases. Since the predicted local rate increases never materialized, the budgets for high-rate assistance credits declined to \$0 in FYs 2019 and 2020. A 2016 adjustment to the calculation of the HRAC in the USF rules⁴⁸ was expected to eliminate HRAC program use for the foreseeable future.

Lifeline: The Lifeline program makes telecommunications service more accessible for low-income Wisconsin residents. Lifeline provides a lower monthly rate for telecommunications service⁴⁹ for low-income consumers or the alternative for a wireless service option at no charge. The Lifeline program is a federal program and Wisconsin's Lifeline program is complementary. Wisconsin's program uses the same rules for eligibility, enrollment, re-certification, and minimum service standards. The FCC provides cost reimbursement to ETCs that varies depending on the type of service. The state reimbursement takes the federal reimbursement into account, and provides a reimbursement sufficient to lower the cost of the customer's phone bill to about \$15, up to \$9.25 per customer.

⁴⁸ See Docket 1-AC-236, Order, [PSC REF#: 279312](#).

⁴⁹ Technologies eligible for the Lifeline discount include: voice service, broadband service, bundled voice service, bundled broadband service, and bundled voice and broadband service. See <https://www.usac.org/lifeline/get-started/eligible-services/>.

State USF expenditures for the Lifeline program declined from a high of \$2,751,480 in FY 2011 to less than half that, \$1,122,909, in FY 2015. Since that time the expenditures stabilized around \$1.1 million. However, increases in customers due to the pandemic and its associated economic impacts, led Commission staff to propose an increase to the Lifeline budget for FY 2021. The 2016 Federal Lifeline Modernization Order⁵⁰ also implemented a stepped decrease in the federal support paid to carriers providing voice service⁵¹ along with stepped up minimum service standards for internet speed and data. Some carriers have sought increases in their state USF reimbursement rate in response to the changes in the federal rate effective December 1, 2019, but these changes are relatively small overall. Another decrease is scheduled for December 1, 2020 and the increased budget amount for Lifeline is also intended to address potential requests for increased rates from providers.

Participation in Lifeline by landline customers is on the decline, while participation in wireless Lifeline services is increasing, mirroring the national trend in telecommunications at-large.

Non-Profit Grant – Access Programs or Projects: The purpose of these grants is to develop or support programs or projects that facilitate affordable access to telecommunications and information services. Applicants must be nonprofit organizations and must provide at least a 25 percent match for the total project cost. The projects must assist in providing voice, broadband, or internet telecommunications to low-income, customers with disabilities, or those living in areas with high costs for such services.

Nonprofit organizations were awarded grants for 18 projects in 2018 totaling \$499,619.91⁵²; and 13 projects in 2019 totaling \$404,489.75⁵³.

The **TEPP Outreach Grant Program** grew out of the Non-Profit Grant Program. The annual award cycle of the Non-Profit program was funding consistent awards to ILCs for their work with TEPP customers with disabilities, and in 2017 the Commission entered an agreement with the Wisconsin DHS to distribute funding for these services to the ILCs using existing DHS contracts. In 2019, the 2017 Order was revised to move administration of that funding to the Commission where it is currently administered as the TEPP Outreach Grant Program.

Medical Telecommunications Equipment Program: Nonprofit medical clinics and public health agencies can receive grants from the USF to purchase telecommunications equipment. Purchase of medical telecommunications equipment under this grant program must promote technologically advanced medical services, enhance access to medical care in rural areas of the state, or enhance access to medical care to underserved populations or to persons with disabilities in the state. Applicants for this program must be a nonprofit clinic serving federally

⁵⁰ See: <https://www.fcc.gov/document/fcc-modernizes-lifeline-program-low-income-consumers>

⁵¹ See: <https://www.usac.org/lifeline/get-started/eligible-services/lifeline-supported-voice-service/>

⁵² The 2018 grant cycle is named for the first year of the funding cycle, and ran from July 1, 2018 through June 30, 2019. Memorandum ([PSC REF#: 342987](#)); Order ([PSC REF#: 343892](#))

⁵³ The 2019 grant cycle is named for the first year of the funding cycle, and runs from July 1, 2019 through June 30, 2020. Memorandum ([PSC REF#: 367628](#)); Order ([PSC REF#: 371904](#)).

designated health professional shortage areas, medically underserved areas, medically underserved populations, or a public health agency.

Access to healthcare is the point of emphasis for the telemedicine grant program. The initial purpose of the program was to build interest in the use of telecommunications to augment medical practices. For example, early in the program funds were used to purchase video conference equipment, allowing for remote consultations with specialists for rural patients.

Since 2008, the Commission has combined the consideration and approval of the grant applications for a two-year period into a single evaluation. As a result, the Commission is able to award \$1 million for a two-year performance period.

For combined FY 2018 and 2019, 17 grants were awarded totaling \$934,727.48⁵⁴. For combined FY 2020 and 2021, 16 grants were awarded totaling \$1 million⁵⁵.

PSC – Broadband Expansion Grants: These funds are administered through the Commission and are funded by transfers from the USF fund balance and the DOA Federal E-Rate appropriation. In addition to the appropriated amount, Wis. Stat. 196.218(2s) sets forth a \$2.0 million minimum annual funding requirement from the USF fund balance. This is was first effective for FY 2019. Additional information is available on the Commission website.

USF Rules: The first USF rules (Wis. Admin. Code ch. PSC 160) were approved in 1996 and subsequently revised in 2000. The next rulemaking proceeding in Docket 1-AC-198 began in 2001, but experienced significant resistance and delays and timed out. A rulemaking initiated in 2011 in Docket 1-AC-236 to pursue updates to the language of the USF completed the rulemaking process and new rules became effective February 1, 2016. That proceeding addressed changes in the industry and alignment with the federal USF programs. A revision to the rules is currently being considered in Docket 1-AC-251⁵⁶.

Administration: While the Commission develops the overall policy and procedures for the USF and manages and operates several of the programs, it is required by statute to contract with a private firm to administer the fund. Responsibilities under that contract include issuing USF assessment bills to providers, collecting and summarizing requests for payment from ETCs for Lifeline and the 2LVCO/HCO programs, managing the online application process for TEPP, and sending reimbursements to grantees in the USF grant programs. This does not include the Broadband Expansion grant program which is administered by the Commission and is not technically a USF program. In 2016, the Commission issued a Request for Proposals for the administration of the USF. Solix, Inc., was selected as the USF administrator to succeed the former USF administrator, Wipfli, LLP effective July 1, 2016. The current contract covers administrative

⁵⁴ See: Docket 5-TF-2018, for the period of July 1, 2017 through June 30, 2019. Memorandum ([PSC REF#: 342598](#)) and Order ([PSC REF#: 343790](#)).

⁵⁵ See: Docket 5-TF-2020, for the period of July 1, 2019 through June 30, 2021. Memorandum ([PSC REF#: 388485](#)) and Order ([PSC REF#: 390971](#)).

⁵⁶ See footnote 48.

services from July 1, 2016, to June 30, 2018, with three optional, one-year extensions.⁵⁷ The final one-year, of three possible one-year extensions with Solix expires on June 30, 2021. A new RFP process is anticipated to begin in early 2021.

The USF Council advises the Commission on the administration of the USF and on proposed rule changes. Currently, the Council is comprised of 15 members, with seven representing the telecommunications industry and eight representing consumer groups. By statute, the majority of the Council members must be representatives from consumer groups. The Council meets two times each year to discuss budget issues, program direction, and draft rule changes, convening subcommittees as-needed.

Budget and Fund Balance: The Commission's USF appropriation is \$5.94 million annually. Historically the Commission's operating budget is less than the appropriated amount. The USF Fund Balance Policy establishes a target range for the fund balance. The target range ensures that there are sufficient funds to satisfy the requirement to transfer \$2 million in funding to the Broadband Expansion Grant program⁵⁸ while also ensuring that assessments are limited to funding needs. If the fund balance is within the target range, the assessment is based on the operating budget amount. If the fund balance falls below the target range, the assessment is based on the appropriated amount. Consistent with the policy, the Commission assessed at the appropriated amount in FY 2019 and the operating budget amount in FY 2020.

⁵⁷ See: Docket 5-UF-2016, Order, [PSC REF#: 287168](#).

⁵⁸ Wis. Stats. § 196.218(3)(a)(2s)

Federal USF Programs

The discussion above is specific to Wisconsin's universal service program, funded solely through assessments on intrastate retail telecommunications revenues. The federal government also has a universal service program funded through national assessments on telecommunications revenues and administered by the Universal Service Administration Corporation (USAC). Some of the federal programs complement state USF programs (e.g., for low-income customers), while others address issues the state USF does not, such as high cost support.

The following is a description of the federal universal service support programs:

Low Income: This support is commonly known as Lifeline. It provides discounts that make basic local telephone service affordable for low-income customers. Low income support is administered by the state in a partnership with the federal government. The dollars shown here are the federal contributions to this program.

Rural Health Care: This support provides reduced rates to rural health care providers for telecommunications and internet services so they pay no more than their urban counterparts for the same or similar telecommunications services

Schools and Libraries: This support, referred to as E-rate support, provides affordable telecommunications and internet access services to connect schools and libraries to the internet. This support goes to service providers that provide discounts on eligible services to eligible schools, school districts, libraries, and consortia of these entities. Funding from this federal program was used to support the Broadband Expansion program per a transfer in the 2019 Wisconsin Act 9.

High Cost This support provides funds to expand access to advanced telecommunications services, and includes a number of federal programs aimed at expanding access to broadband.

Additional information about these programs may be found on the USAC website at <https://www.usac.org/>