



UNIVERSAL TELECOMMUNICATIONS SUPPORT

FUND

BUSINESS, ECONOMIC DEVELOPMENT & LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: ZACKERY KING

BUDGET BRIEF

SUMMARY

The Public Service Commission, under UCA 54-8b-10 administers the Universal Public Telecommunications Service Support Fund (USF). The USF is a restricted fund created by the Legislature to ensure affordable telecommunications services for all Utah citizens. Revenues come from a surcharge on all retail revenues realized from intrastate telecommunication services. These funds are then used in high cost rural areas of the state to alleviate the otherwise prohibitive costs of providing telecommunications services.

The fund also pays the cost of the Utah portion of the Telephone Lifeline program established under Utah Administrative rule 746-341 pursuant to Section 214 of the Federal Communications Act.

ISSUES AND RECOMMENDATIONS

Base Budget

For the USF line item, the Fiscal Analyst recommends a FY 2014 budget of \$9,800,000.

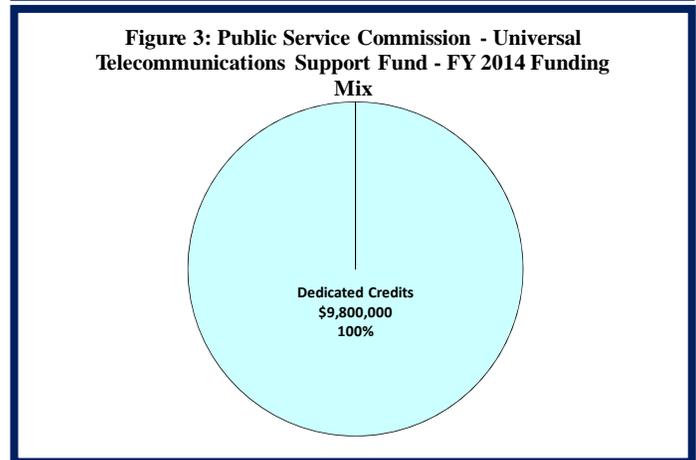
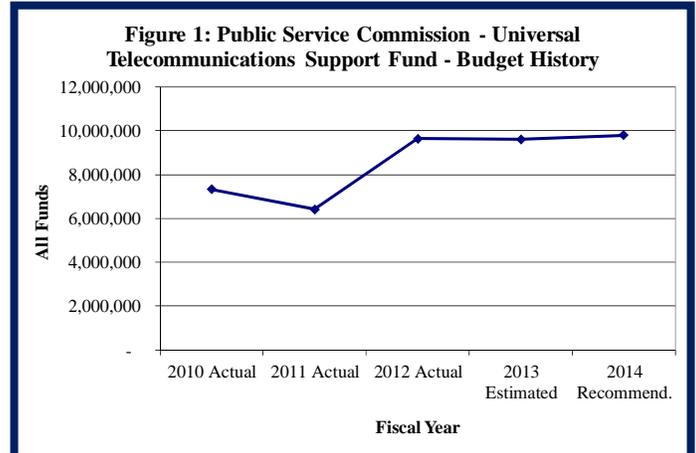
Intent Language

After review and adjustment, the Fiscal Analyst recommends the following intent language to make the USF line item's FY 2013 unexpended appropriations nonlapsing at the end of FY 2013:

Under Section 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided for the Public Service Commission Universal Telecommunications Service Support Fund in Item 39, Chapter 10, Laws of Utah 2012, shall not lapse at the close of Fiscal Year 2013. The use of any nonlapsing funds is to be used as described in Title 54-8b-15 Universal Public Telecommunications Service Support Fund.

Federal Impact

Utah's Universal Service program is designed to work in concert with the Federal Universal Service program, as a result, whenever the Federal program changes, it potentially impacts Utah's program. The Federal program is shifting its focus from just subsidizing high cost areas to adding in a high speed broadband component. Since Utah already has one of the highest rates of broadband deployment in the entire country, Utah stands to lose Federal funds on net over the long-run as a result of this shift in focus at the Federal level. Currently, the fiscal impacts have been modest as the shift and realignment is just getting started, but over the next five to ten years, the expected decrease in Federal funding is likely to be in the range of five to ten million dollars per year. These drops in Federal revenues will result from decreases in (1) the amount of access charge revenues the rural Incumbent Local Exchange Carriers are allowed to collect, and (2) direct payments from the FCC.



BUDGET DETAIL TABLE

The Public Service Commission provided the following explanation for the difference between the FY 2013 appropriated column and the other columns in the budget detail table: The PSC suspects either a simple error, such as a transposition error (\$9,471,900 to \$4,971,900) or a possible typo in calculating the USF revenue. Our records show the USF expanding from about \$6 million in 2011 to about \$9 million currently. The \$4.9 million dollar estimate simply is not consistent with that trend .

Public Service Commission - Universal Telecommunications Support Fund						
	FY 2012	FY 2013		FY 2013		FY 2014*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Recommended
Licenses/Fees	9,984,400	0	9,800,000	9,800,000	0	9,800,000
Universal Public Telecom Service	0	4,971,900	(4,971,900)	0	0	0
Beginning Nonlapsing	0	1,231,200	(1,231,200)	0	0	0
Closing Nonlapsing	0	(1,425,700)	1,425,700	0	0	0
Beginning Fund Balance	931,600	0	1,265,500	1,265,500	194,500	1,460,000
Ending Fund Balance	(1,265,500)	0	(1,460,000)	(1,460,000)	0	(1,460,000)
Total	\$9,650,500	\$4,777,400	\$4,828,100	\$9,605,500	\$194,500	\$9,800,000
Programs						
Universal Telecom Service Fund	9,650,500	4,777,400	4,828,100	9,605,500	194,500	9,800,000
Total	\$9,650,500	\$4,777,400	\$4,828,100	\$9,605,500	\$194,500	\$9,800,000
Categories of Expenditure						
Other Charges/Pass Thru	9,650,500	4,777,400	4,828,100	9,605,500	194,500	9,800,000
Total	\$9,650,500	\$4,777,400	\$4,828,100	\$9,605,500	\$194,500	\$9,800,000
Other Data						
Change in Fund Balance	333,900	0	194,500	194,500	(194,500)	0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

SUMMARY OF RECOMMENDATIONS

The Fiscal Analyst Recommends the Legislature:

1. Approve a FY 2014 recommended budget of \$9,800,00 as shown in the budget detail table.
2. After review and adjustment, approve intent language authorizing nonlapsing authority to the Public Service Commission line item as shown on page 2.