

## Budget Deep Dive Checklist

**Purpose:** Budget deep dives are intended to allow legislators a more thorough review of program outcomes, spending, and finance in the legislative interim session.

### Detailed Questions

NAME OF FUNCTION: Universal Public Telecommunications Service Support Fund (UUSF)

#### What We Are Accomplishing

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.  
Utah Code Ann. §§ 54-8b-10, 54-8b-15. Utah Administrative Rule R746-8.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?  
All activities are authorized by statute and rule.
3. What outcomes is this function trying to accomplish?  
The Utah Universal Service Fund (UUSF) is a program under which the Public Service Commission (PSC) distributes funds from mandatory contributions collected from customers and paid into the UUSF by Utah telephone providers. The statutory purpose of the UUSF is to provide a mechanism for a qualifying carrier of last resort to obtain specific, predictable, and sufficient funds to deploy and manage networks capable of providing end-user services including access lines, connections, or wholesale broadband internet access service. The Legislature has charged the PSC with establishing the UUSF contribution method, which must be both nondiscriminatory and competitively neutral. The PSC then utilizes the UUSF to provide its primary statutory purpose. The PSC also uses the UUSF to administer another statutorily required program, the Relay Utah program, by providing relay services and equipment for individuals who have hearing and speech difficulties. The PSC also uses the UUSF, pursuant to statute, to provide a financial subsidy to telecommunications carriers to offer lifeline services to low-income Utah customers, consistent with the Federal Communications Commission's lifeline program for low-income consumers.
4. What alternative government and non-government resources exist to achieve these outcomes?  
All UUSF funding and programs support telecommunications service and equipment that are provided by the private sector. However, Utah has made the statutory decision to create the UUSF to provide additional funding to support those private sector activities.  
Why is the state involved?  
These are all statutorily required programs.
5. What organizations are associated with this function?  
PSC and Division of Public Utilities (DPU).
6. What are the missions of the organizations associated with that function?  
To ensure that Utah's regulated public utilities provide safe, adequate, and reliable utility services at reasonable rates. Please see the [psc.utah.gov](http://psc.utah.gov) and [dpu.utah.gov](http://dpu.utah.gov) websites for more information.

7. How are appropriations structured to accomplish this function?  
The UUSF appropriation is an expendable special revenue fund designed to fund the UUSF, Relay Utah, and low-income lifeline programs. Currently, telephone service providers remit \$0.36 per month per access line, and prepaid wireless telecommunications services submit 1.2% of the sales price per transaction in lieu of the per-line surcharge. The PSC is charged with setting, and updating as necessary to meet statutory objectives, the monthly per access line charge. The prepaid wireless transactional charge is established by statute. No revenues from the General Fund support the UUSF.
8. To whom is performance data reported other than the Legislature and Governor?  
Pursuant to a statutory requirement, the PSC submits an annual report specific to the UUSF to members of the Public Utilities, Energy, and Technology Interim Committee. Additionally, UUSF activities are included in the more extensive annual report of all PSC activities, which is available to the public at: <https://psc.utah.gov/annual-report/>
9. What decisions are made within your organization based on reporting data?  
The PSC reporting data is designed to identify metrics that need consideration. When a metric does not meet the target, it prompts an internal discussion. For example, the PSC is responsible both to set the surcharge that determines revenues into the UUSF, and also must administer the statutory mandates for expending those funds. Accordingly, one metric requires regular evaluation to ensure the PSC is not modifying the surcharge too frequently, which causes disruptions to the billing software of telecommunications providers. Other performance metrics evaluate the use by the public of offered services.
10. How might you recommend the authorization, mission, or statute change?  
The PSC is not recommending any changes.

### **What We Are Buying**

11. What is the largest category of expenditure for the organization and how big is it?  
The three expenditures below are funded by the UUSF and are listed from largest to smallest.
  - FY23 UUSF distributions to qualified telecommunications carriers of last resort whose rates of return are regulated by the PSC, estimate: \$19,850,000.
  - FY23 Lifeline program distributions estimate: \$750,000.
  - FY23 Hearing and Speech Impaired program (Relay Utah) estimate: \$550,000.
12. How does this expenditure support the above justification/authorization?
  - Utah Code Ann. § 54-8b-15(4)(a)(ii) rate-of-return regulated carriers of last resort qualify for disbursements from the UUSF if their reasonable costs to provide public telecommunications service and wholesale broadband Internet access service exceed revenue from certain designated sources. Carriers file annual reports accounting for those costs and revenues. The Division of Public Utilities (DPU) audits those reports and additional records of the carrier. The DPU makes annual recommendations for UUSF distributions after auditing each carrier's reasonable costs and the revenues.
  - Lifeline program distributions subsidize the cost to eligible telecommunication carriers to offer lifeline service consistent with the Federal Communications Commission's lifeline program for low-income consumers as outlined in Utah Code Ann. § 54-8b-15(3)(b).

- The Hearing and Speech Impaired program (Relay Utah) provides relay services and equipment for individuals who have hearing, and speech difficulties as outlined in Utah Code Ann. § 54-8b-10.

13. What is that category of expenditure buying (how many/costs per unit)?

See question 15.

14. How does the above relate to units of output?

See question 15.

15. How has the expenditure changed over five years relative to the units of output?

#### UUSF Distributions

FY19: \$14,867,304

FY20: \$17,584,447

FY21: \$16,466,615

FY22: \$17,320,644

FY23 Estimate: \$19,900,000

#### Lifeline Distributions

FY19: \$540,526

FY20: \$592,298

FY21: \$771,495

FY22: \$502,856

FY23 Estimate: \$750,000

#### Relay Utah Expenses

FY19: \$781,395

FY20: \$879,020

FY21: \$809,243

FY22: \$596,139

FY23 Estimate: \$550,000

16. Are there any outliers/anomalies in current or budgeted spending in this category?

No

17. Does the amount of expenditure for a category change significantly in accounting period 12 or 13? Why?

Lifeline payments are distributed twice per year, and the second batch of payments are typically paid in accounting period 13 to properly record for the correct fiscal year (January-June).

18. How might you recommend this expenditure category change based on the above?

The PSC is not recommending any changes.

REPEAT 14-21 FOR OTHER SIGNIFICANT EXPENDITURE CATEGORIES FROM LARGEST TO SMALLEST

#### **How We Are Paying For It**

19. What is the largest fund or account from which resources are drawn to support the above expenditures and how big is it?

There is only one fund for the UUSF, low-income lifeline, and Hearing and Speech (Relay Utah) programs. As of April 30, 2023, the fund balance is \$13.6M.

20. What are the revenue sources for that fund or account and what are their relative shares?  
The appropriation is an expendable special revenue fund that includes the remittance of \$0.36 per month per access line from telephone service providers, and prepaid wireless telecommunications services at 1.2% of the sales price per transaction in lieu of the per-line surcharge. These are the only funding sources for the UUSF.
21. Is the source one-time or ongoing and do ongoing sources match or exceed ongoing expenditures?  
This is an ongoing source. Ongoing sources are currently less than expenditures. This is intended to reduce the fund balance, which had grown to an unnecessary level before the PSC's latest reduction in the surcharge amount. The PSC attempts to balance the needs to maintain appropriate funds by keeping changes to the surcharge infrequent.
22. How has the source changed over time relative to expenditures and units of output?  
Beginning on January 1, 2021, and pursuant to S.B. 225 (GS 2020), sellers of prepaid wireless telecommunications service collect and remit to the UUSF 1.2% of the sales price per transaction in lieu of the per-line surcharge.
23. Are there any outliers/anomalies in current or budgeted periods for this source?  
No
24. Are there unencumbered balances in a source that relate directly to his function/organization? If so, how have those balances changed over time?  
No
25. What is a reasonable balance and why?  
Currently, \$6M would be a reasonable minimal fund balance based on the average of three months of expenditures for a one-year period. The current \$0.36 surcharge was designed to draw down the fund balance to a level near that amount, while minimizing the frequency of surcharge changes.
26. Is the availability of sources (grants or previous "building blocks"), rather than mission or objective, driving expenditures?  
The UUSF programs have not received any building blocks for over a decade, and do not receive any grant funding.
27. Are other sources available to support the same expenditure?  
No
28. How might you recommend this revenue category change based on the above?  
The PSC is not recommending any changes.

REPEAT 22-31 FOR OTHER SIGNIFICANT SOURCES OF APPROPRIATION FROM LARGEST TO SMALLEST

### **Do We Balance?**

29. What are total expenditures and total sources? Do they equal one another?  
Expenditures currently exceed appropriation with the intention of reducing the fund balance to a more appropriate long-term balance while minimizing the frequency of surcharge changes.
30. Have all appropriated or authorized sources been expended at year-end?  
Yes.

31. How have non-lapsing appropriation balances (if any) changed over time?  
Total collections and distributions increased in recent years. Effective July 1, 2021, collections were decreased to \$0.36 surcharge to reduce the fund balance while minimizing changes to the surcharge amount. The PSC is monitoring the fund balance, which is gradually declining.
32. Are fees or taxes supporting a function, and are those fees or taxes reasonable?  
There are no additional fees, taxes, or other revenue sources for the programs funded by the UUSF.