

VERMONT UNIVERSAL SERVICE FUND

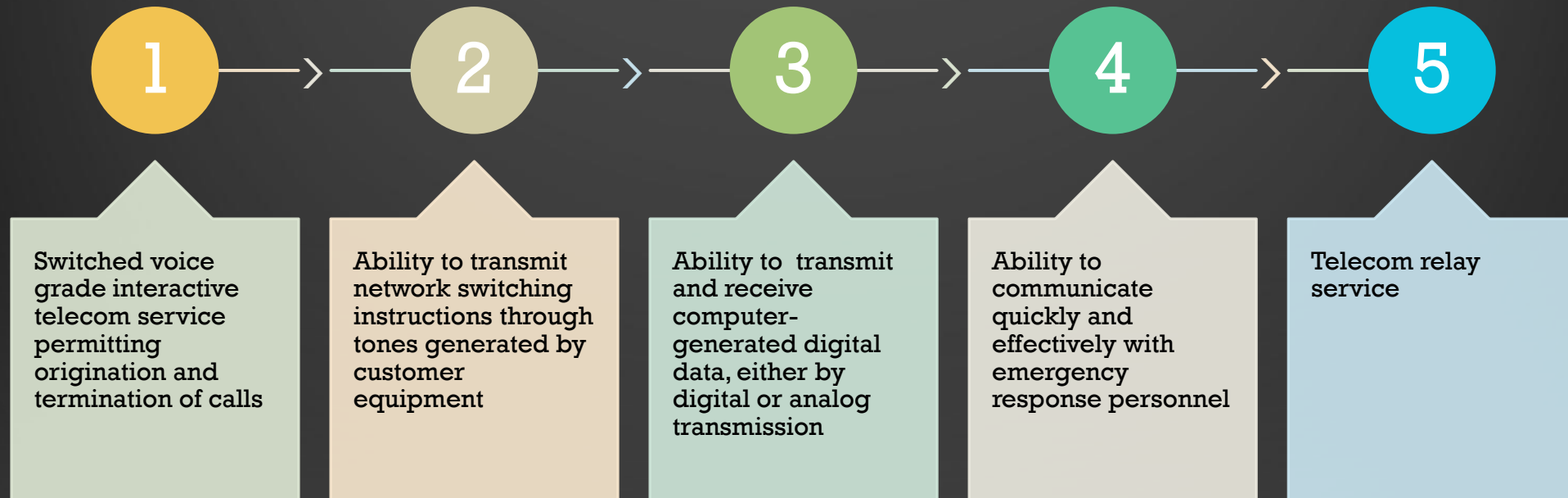
LEGISLATIVE COUNCIL – FEBRUARY 7, 2019

PURPOSE

- Established in 1994
- “To create a financial structure that will allow every VT household to obtain **basic telecommunications service** at an affordable price”

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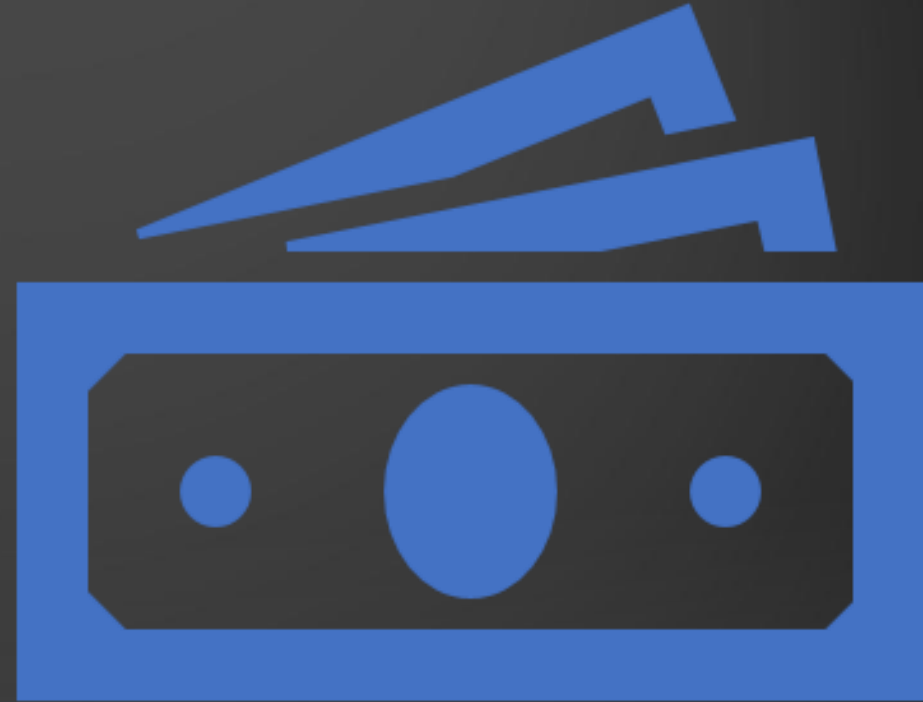
“BASIC TELECOMMUNICATIONS SERVICE”



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FINANCED BY:

- A proportional charge on all telecommunications transactions that interact with the public switched network
- Since 2014, rate of charge is 2% of retail telecommunications service
- In 2017, \$6.2 million raised



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“TELECOMMUNICATIONS SERVICE”

- The transmission of any interactive electromagnetic communications that passes through the public switched network.
- The term includes transmission of voice, image, data, and any other information, by means of wire, electric conductor cable, optic fiber, microwave, radio wave, or any combination of such media, and the leasing of any such service.
- The term does not include “information services” to the extent they are billed separately.

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TELECOMMUNICATIONS
SERVICES ARE:

- Local telephone service
- Toll telephone service
- Directory assistance
- Two-way cable television service
- Mobile telephone or telecommunications service (includes text messaging; applies to post-paid and prepaid)
- Internet phone (interconnected VoIP services)

“INTERCONNECTED
VOIP SERVICES”

Means a service that:

Includes both fixed and
nomadic

Enables real-time, two-way voice communications

Requires a broadband connection

Requires IP-compatible customer equipment

Allows subscribers to send calls to or receive calls from the PSTN

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PROGRAMS SUPPORTED BY THE VUSF

Telecom Relay
Service

Lifeline
program

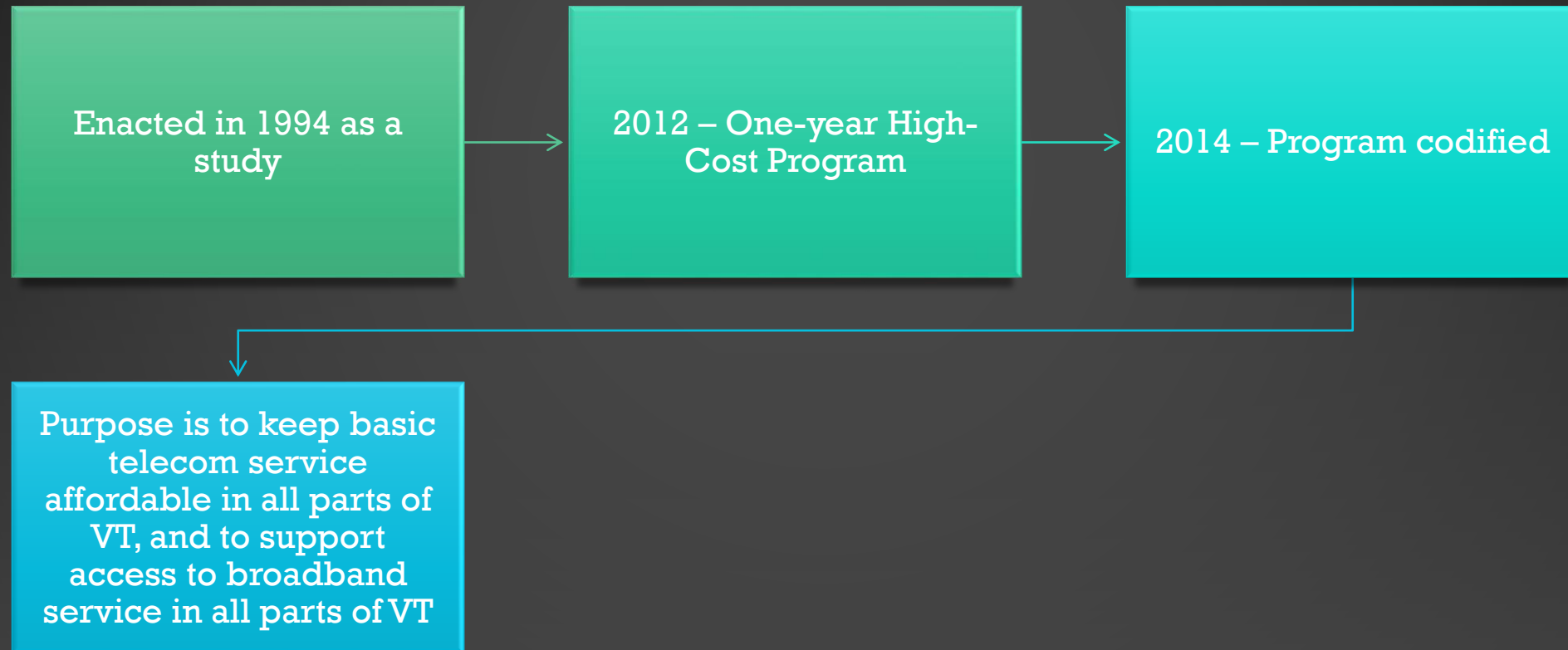
Enhanced 911

Connectivity
Fund

High-Cost
Program (45%)

Connectivity
Initiative (55%)

HIGH-COST PROGRAM



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HIGH-COST PROGRAM REQUIREMENTS

- Available to designated VT ETCs (**eligible telecommunications carriers**)
- Must provide voice and broadband (at least 4/1 Mbps)
- For capital improvements in “**high-cost areas**”
- Must serve all locations in a high-cost area within 5 years (exception)
- Amount = pro rata share of available funds based on number of ILECs in VT and either lines in service or service locations (whichever is greater)
- No competitive overbuilds of existing wired telecom services

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VERMONT ETC

- Has a CPG to provide telecom service in VT
- Is an ETC as defined by the FCC:
 - Eligible for federal universal support
 - Advertises USF services
- Receives such designation by the VT Public Utility Commission

HIGH-COST AREA

- Vermont telephone exchange
- Served by an incumbent local exchange carrier (ILEC)
- Supported services are not available to all locations in the exchange from at least 2 service providers

CONNECTIVITY INITIATIVE

- Purpose – provide each service location broadband capable of speeds of 10/1 Mbps or CAF II speeds, whichever is higher
- Priority to “unserved” then “underserved”
 - Unserved – access to dial-up or satellite only
 - Underserved – access to faster speeds than dial-up or satellite but less than 4/1 Mbps
- Funded services must be capable of being continuously upgraded to reflect best available, most economically feasible service capabilities

CONNECTIVITY INITIATIVE IMPLEMENTATION

- Annual list of eligible census blocks published by DPS
- Annual RFP by DPS
- DPS gives priority to proposals that reflect the lowest cost of providing services to unserved and underserved locations; and shall also consider:
 - Data transfer rates and other data transmission characteristics
 - Price
 - Cost to consumers of new construction, equipment installation, or facilities
 - Whether it is best-available technology that is economically feasible
 - Availability of service of comparable quality and speed
 - Objectives of the Telecommunications Plan

VUSF ADMINISTRATION

- Fund is overseen by the Department of Public Service
- Fiscal agent hired to collect and distribute funds
- Charge imposed on person purchasing service, but collected by telecom provider (exception for prepaid wireless, but federal *Wireless Telecom Tax and Fee Collection Fairness Act of 2018*)
- Payments (and reports) provided to fiscal agent monthly, in general
- Penalties for delinquent payments

FEDERAL USF

- Established in 1997 (but predated by other universal service policies)
- Contribution rate changes quarterly – 20%
- Rate applies to interstate and international revenues (about 65% of all revenue)
- Providers must pay, but often recover costs from consumers
- Programs supported:
 - High-Cost Support (now Connect America Fund)
 - Low-Income Support
 - Schools and Libraries (e-rate)
 - Rural Health Care Support