



VERMONT UNIVERSAL SERVICE FUND OVERVIEW



VUSF RATE OF CHARGE

- 2.4% fee on retail telecommunications services (i.e. telephone service)
- Collected on retail telecommunications services but not broadband
 - ILECs
 - CLECs
 - Mobile Carriers – prepaid and post paid
 - fee is a line item on consumers' bills
- Fund Managed by an independent fiscal agent --- Solix, Inc.



SUPPORTED PROGRAMS

ORDER OF PRIORITY

- **Fiscal Agent Contract**
- **Vermont Lifeline Program** – bill credits to low income telephone users
- **Telephone Relay Service** – Communications service for deaf and hard of hearing
 - **Equipment Distribution Program** – equipment for deaf and hard of hearing
- **Enhanced 911**- disbursements set by state budget
- **Connectivity Fund** – supported by previous year surplus in the fund
 - Act 79 dedicated 17% of revenue to Connectivity initiative

VUSF HISTORY

Act 197 (1993)

- Created VUSF and E911.
- The USF rate of charge was set by the PUC (then PSB) after reviewing anticipated expenditures, service revenues, and recommendations - with the USF rate being capped at 2%.

Act 197 (2014):

- Changed the USC rate-setting methodology by setting the rate at 2% w/no rate determination process.
- Created the Connectivity Fund, the High-Cost program, and the Connectivity Initiative.
- Required the Fiscal Agent to determine the amount of unexpended annual USC revenue to transfer from the USF to the Connectivity Fund (remaining post-support program disbursement).
- Moved contract management to the Department of Public Service

Act 41 (2016):

- Required that, upon determining the Connectivity Fund transfer amount, the Fiscal Agent shall apply 45% to High Cost and 55% to the Connectivity Initiative.

Act 79 (2019)

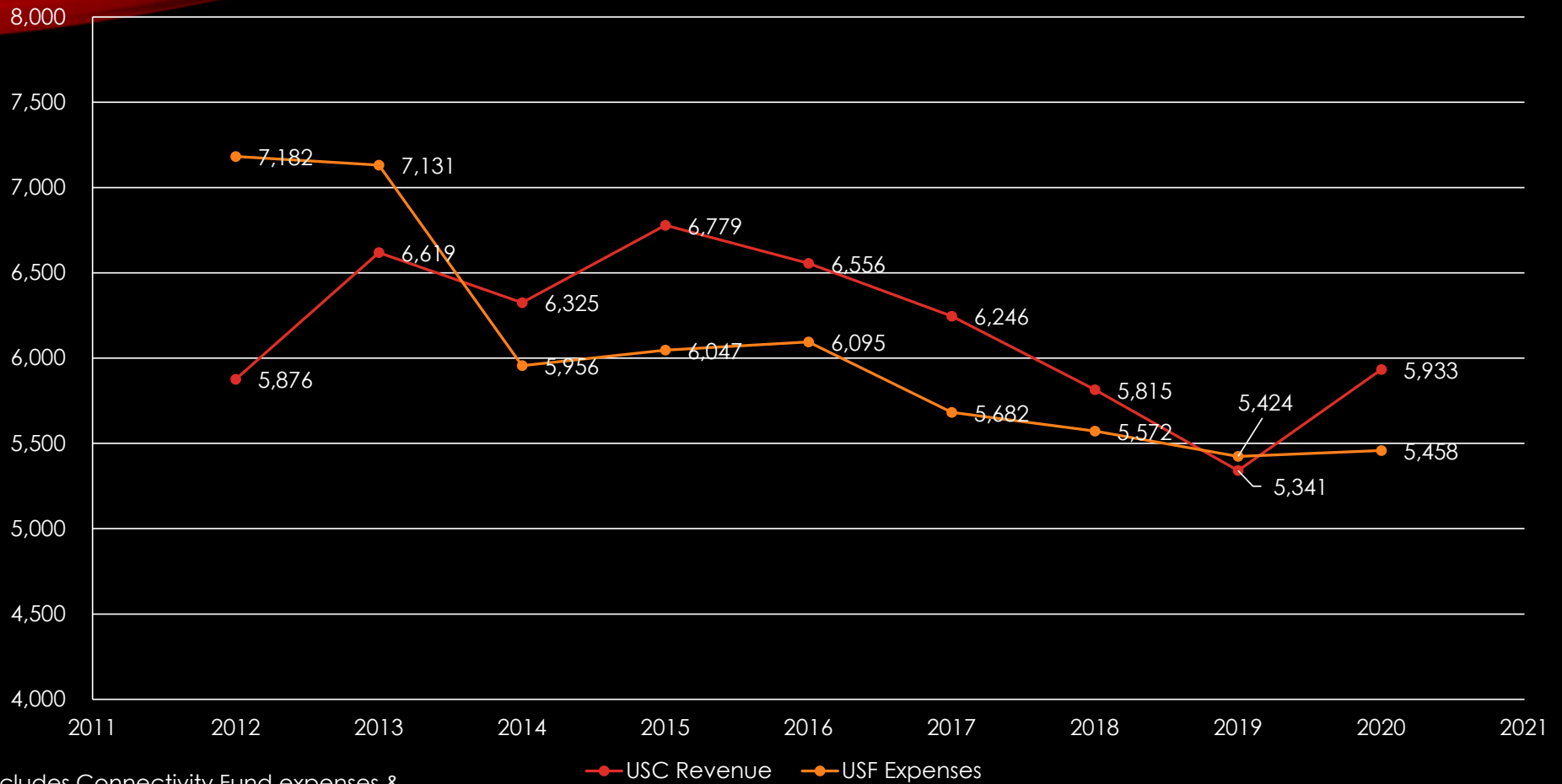
- Increased Rate from 2% to 2.4%
- 1/6 of the revenues dedicated to Connectivity Fund for broadband.
- Prepaid wireless collected at point of sale



CONNECTIVITY FUND

- Supports the High-Cost Program and Connectivity Initiative
- High-Cost Program provides ongoing support to Vermont Eligible Telecommunications Carriers (VETCs).
- Connectivity Initiative is a grant program that funds last mile broadband expansion.
- Fiscal agent determines amount of available funding from previous year surplus.
- 45% goes to High Cost, 55% goes to Connectivity

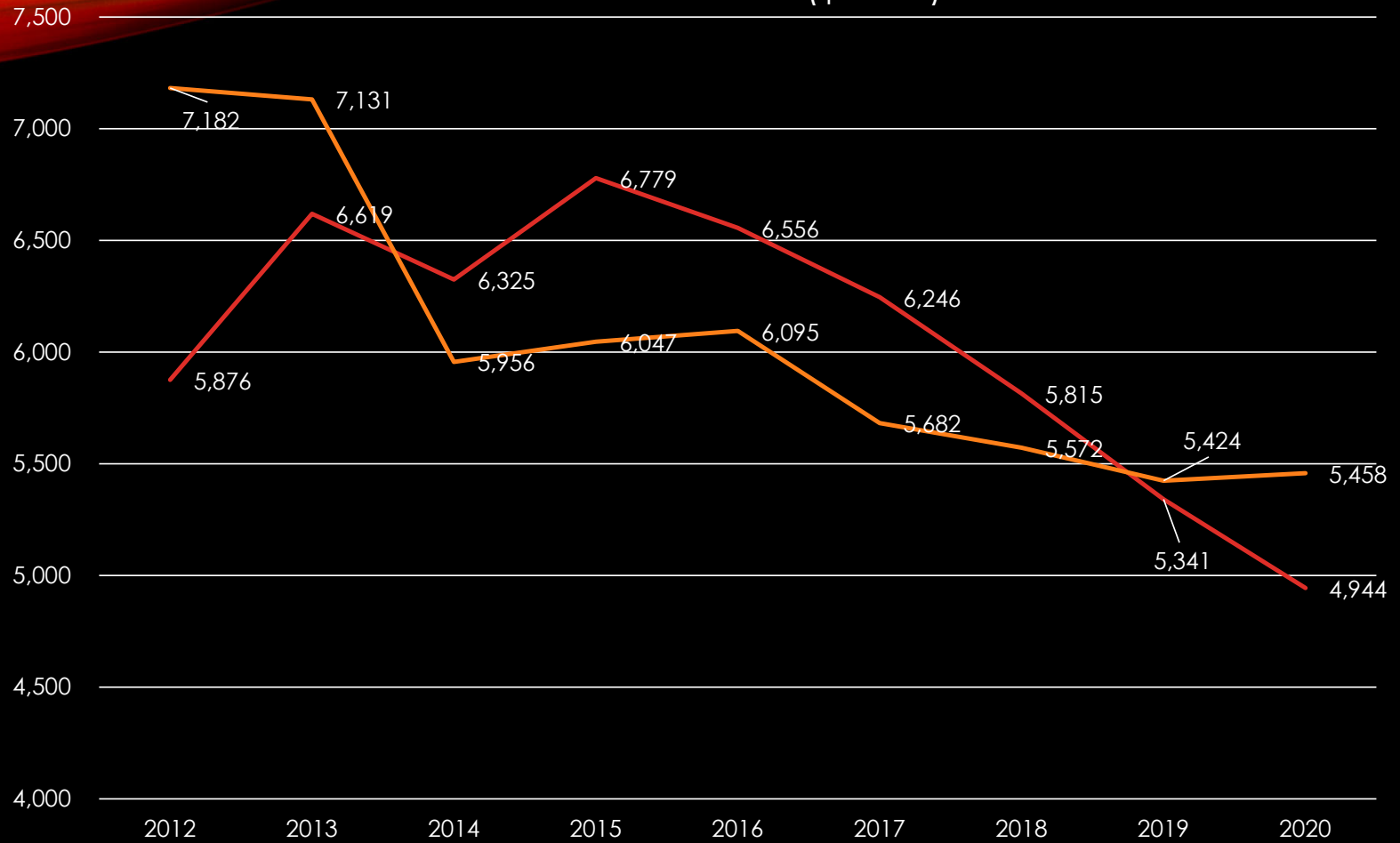
VUSF Revenues & Expenses 2012-2020 (\$1000s)



Excludes Connectivity Fund expenses & distributions

—●— USC Revenue —●— USF Expenses

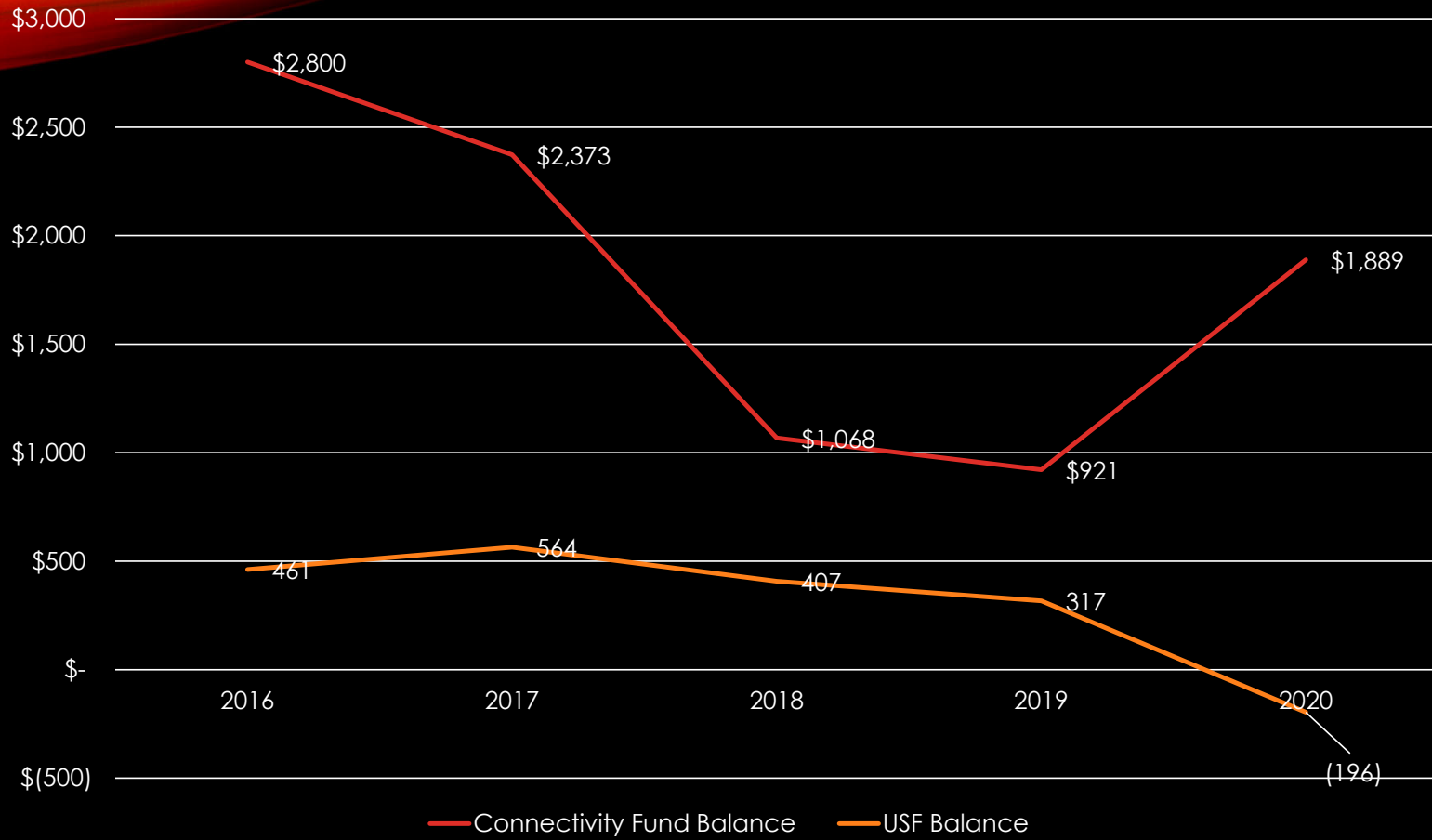
VUSF Revenue and Expenses with 16% Connectivity Allocation Removed for FY20 (\$1000s)



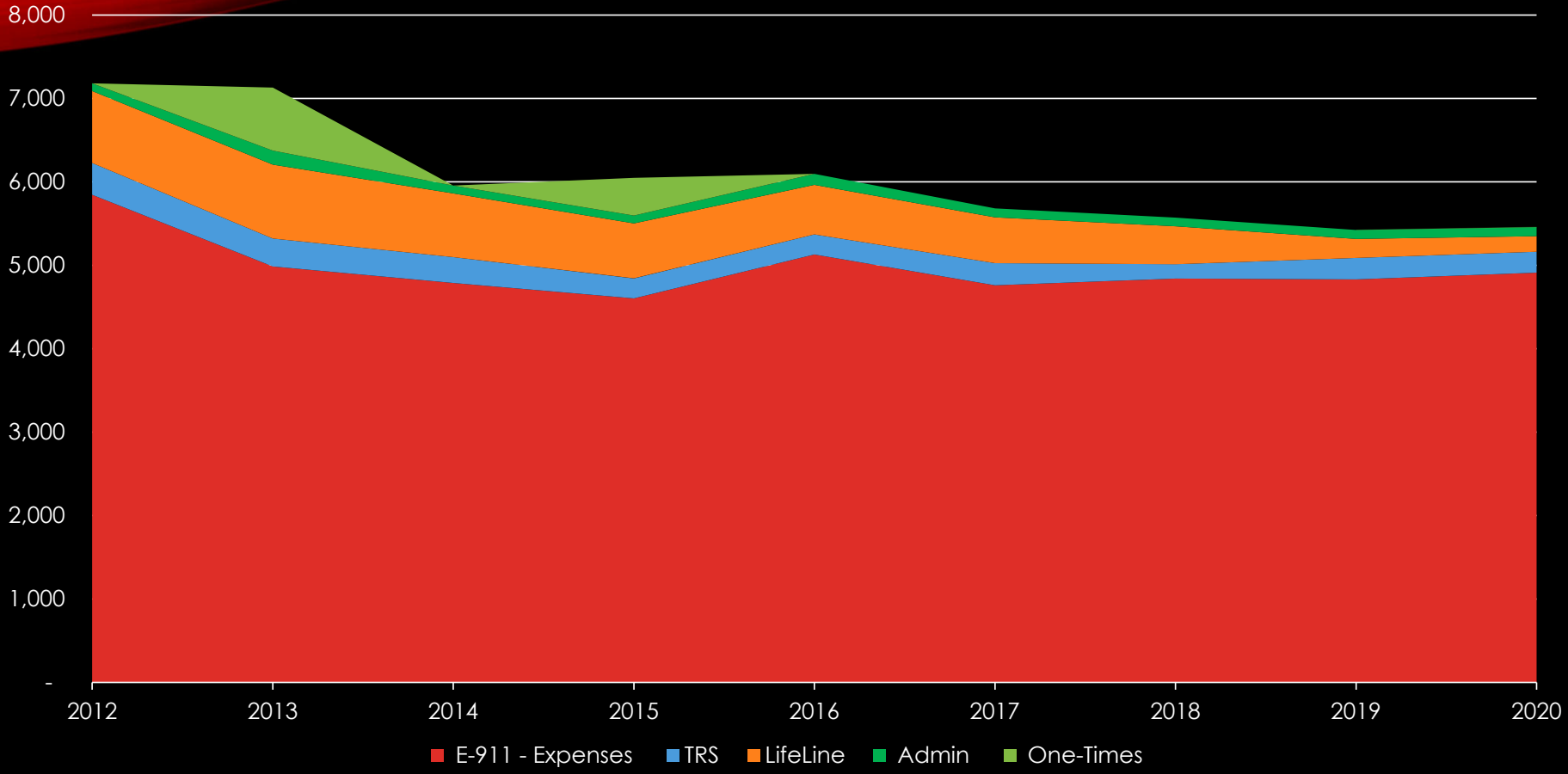
Excludes Connectivity Fund expenses.

— USF Revenue — USF Expenses

Connectivity Fund and USF Balance 2016-2020 (1000s)



USF Expenses - Composition



Excludes Connectivity expenses



FUND TRENDS

- Declines in assessable revenue
 - Declines in telephone charges
 - Shift from regulated to non-regulated services
 - Prepaid calling cards legislation increased revenues but not enough
 - Loss of penalty revenue (WPP)
- Rate set in statute – not reassessed annually
- National Issue