

OUSF Funding

HOUSE COMMITTEE ON REVENUE – LRO PRESENTATION

What does the OUSF do?

- ▶ Objectives for the Fund:
 - ▶ **General:** A universal service fund should (1) be administratively simple and low cost; (2) be sufficient to provide for quality basic network access service at just, reasonable, and affordable rates; and (3) should be applied in a competitively neutral manner.
 - ▶ **Contribution Criteria** (who pays): All providers of telecommunications services should make an equitable and nondiscriminatory contribution to the Oregon US fund.
 - ▶ **Distribution Criteria** (who receives): Universal Service Support should: (1) promote operating efficiency and eliminate artificial investment incentives; (2) be specific, predictable and sufficient when combined with the federal mechanisms to preserve and advance universal service.

What does the OUSF support?

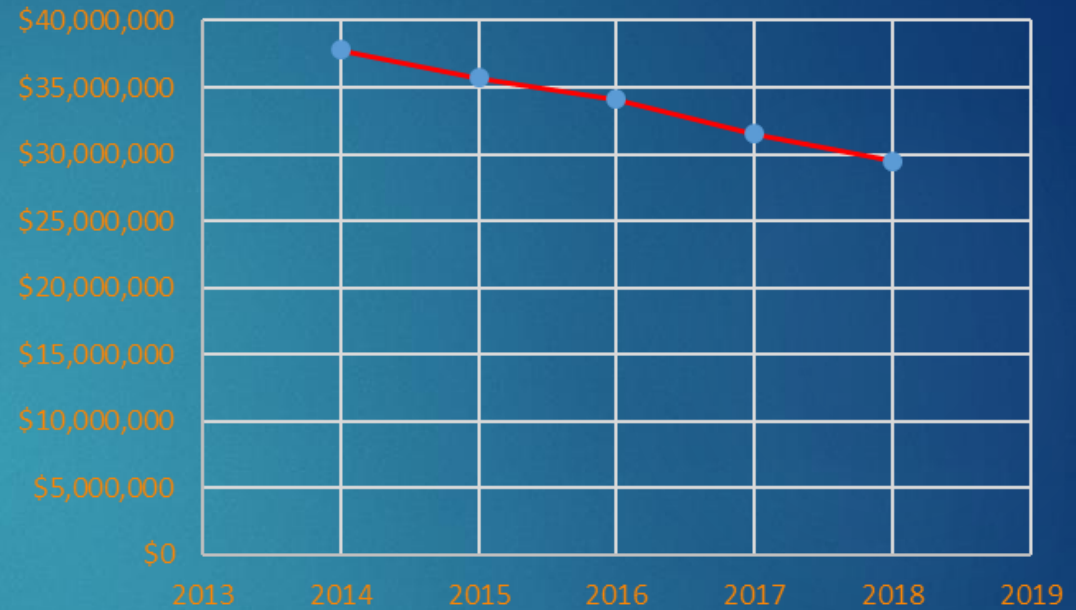
- ▶ Criteria for recipients
 - ▶ Are essential to education, public health, or public safety;
 - ▶ Have, through the operation of market choices by customers, been subscribed to by a substantial majority of residential customers; (3) Are being deployed in public telecommunications networks by telecommunications carriers;
 - ▶ Are consistent with public interest, convenience, and necessity
 - ▶ Include not only tariffed services but also the functionalities and applications associated with the provision of services
 - ▶ Would not burden the OUSF.

Current OUSF funding

- Currently set at 8.5% of wired telecom
- The pie has been shrinking -7%
- This bill seeks to expand the pie



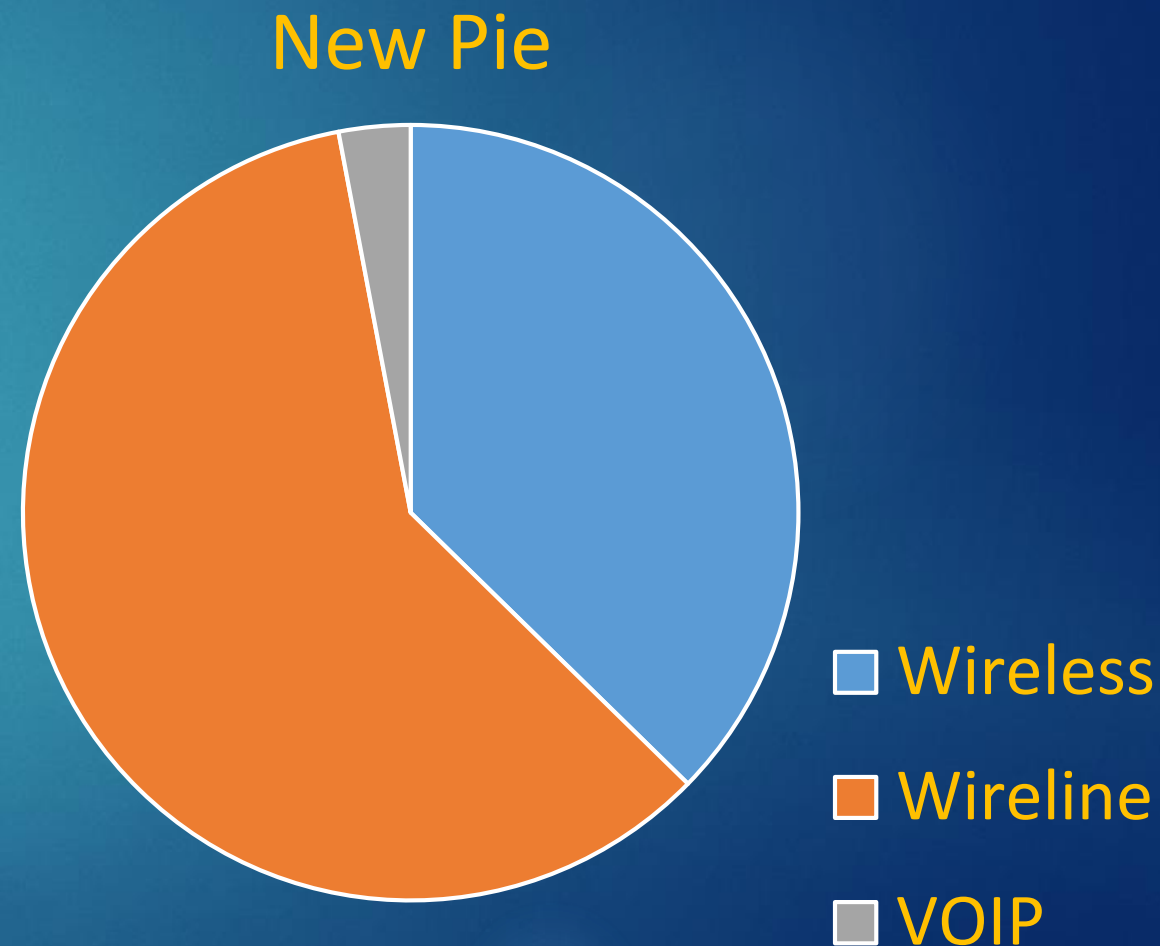
OUSF Wireline Annual Collections



Year	Wireline Revenue Base (millions)	Collections (millions)	Ending Fund Balance (millions)	Distributions (millions)
2014	\$445	\$38	\$10	\$40
2015	\$420	\$36	\$7	\$38
2016	\$401	\$34	\$8	\$34
2017	\$371	\$32	\$7	\$32
2018	\$347	\$30	\$6	\$31

Broadening the base

- ▶ Current base: wireline providers @ 8.5% of eligible revenue
- ▶ Proposed base @7% of eligible revenue:
 - ▶ Current base
 - ▶ + Wireless
 - ▶ + VOIP



Terminology

- ▶ ARPU – Average Revenue per User
- ▶ Intrastate Retail Revenue – The portion of revenue not allocated to interstate and international calls – approximately
- ▶ RSPF – Residential Service Protection Fund (Est. 1987)
- ▶ Safe harbor – the FCC electable default percentage to which Federal USF fees apply

HB 2184

- ▶ Establishes new revenue base
- ▶ Establishes new rate cap for the new revenue base
- ▶ Establishes overall cap for the fund
- ▶ Establishes broadband fund

Important questions to answer

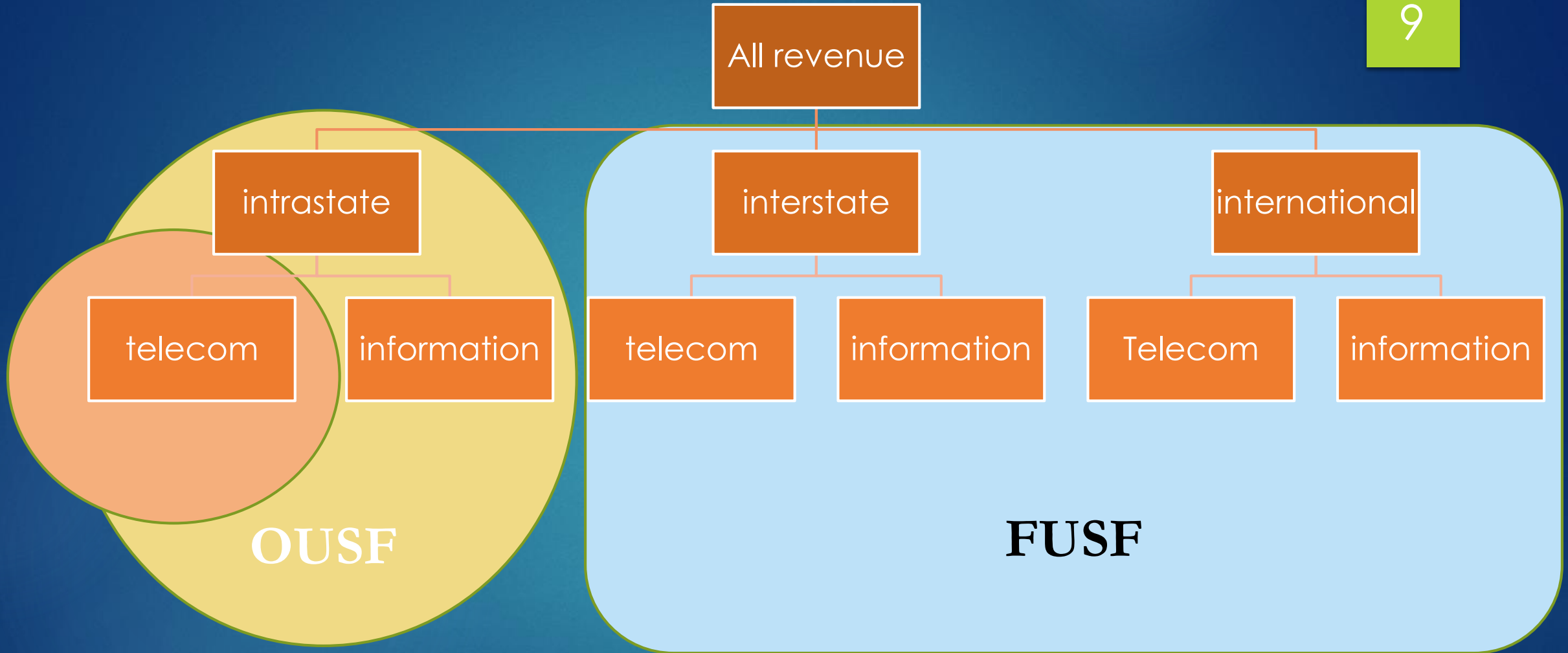
- ▶ Is there a cap? What is the cap?
 - ▶ Two caps

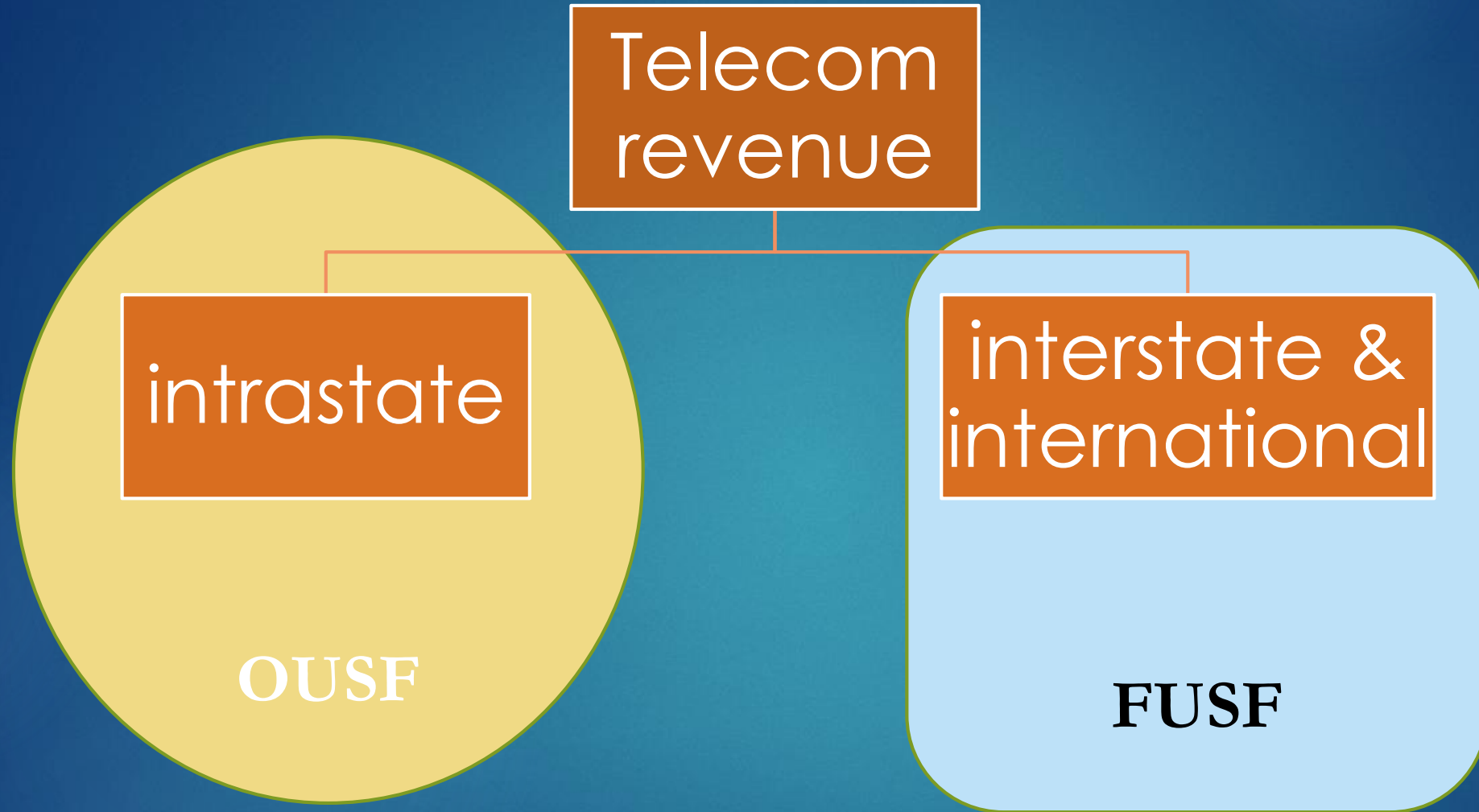
Total Funding Cap

\$30 Million – OUSF
\$10 Million – Broadband Fund

Rate Cap

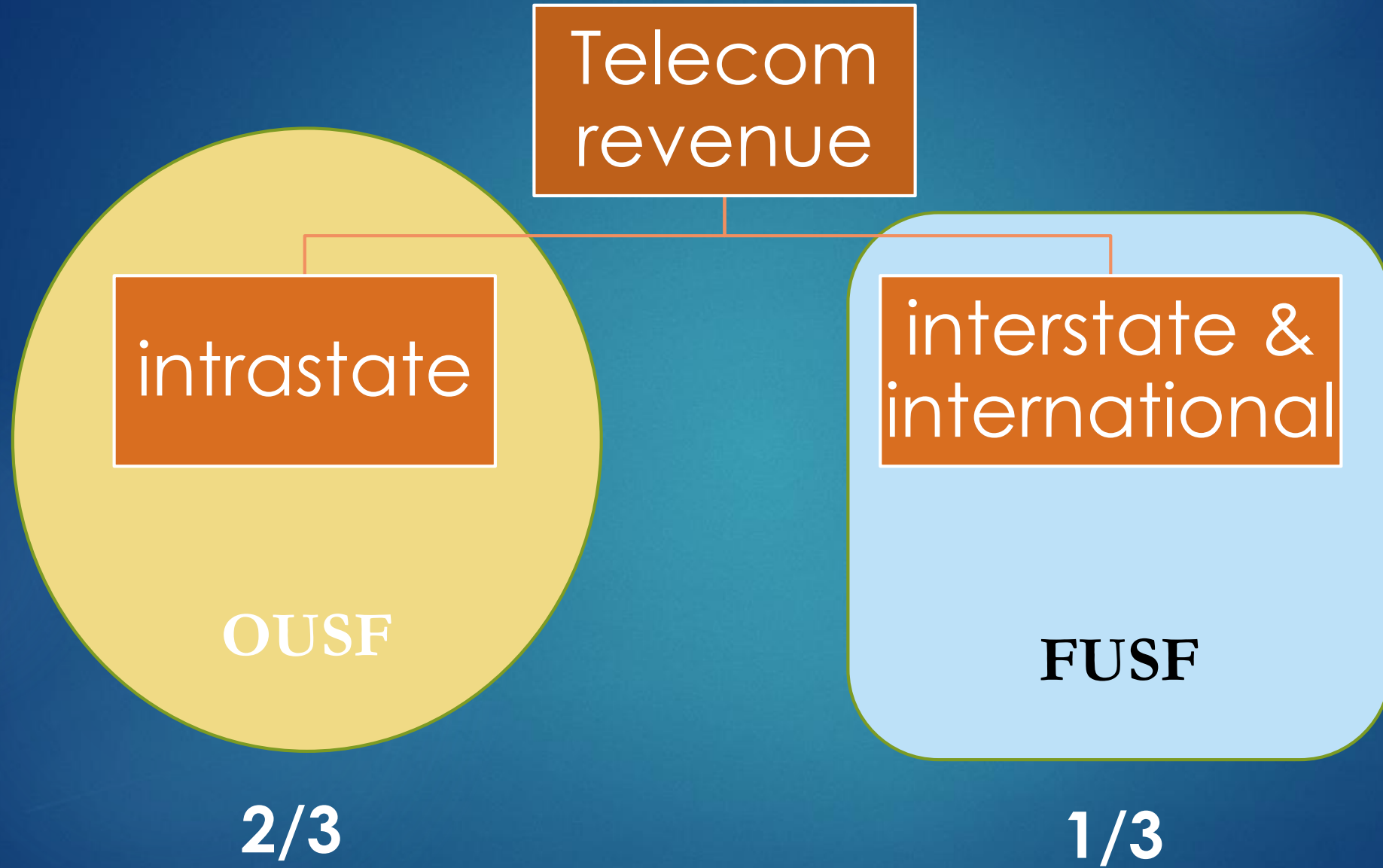
7% Cap on eligible Revenues





Known vs unknown

- ▶ Revenues from Wirelines
 - ▶ OUSF currently applies, so numbers are readily available
- ▶ Revenues from Wireless and VOIP
 - ▶ FCC collects national data
 - ▶ Oregon collects data is collected from RSPF (not include prepaid)
 - ▶ The future....



Phone bill

13

Monthly Summary							
Monthly service charges from 3/30/13 to 4/02/13							
Mobile Number	Monthly Recurring Charges	Credits & Adjustments	Usage Charges	One Time Charges	Other Charges	Taxes & Surcharges	Total Current Charges
123-456-7890	\$ 77.00	\$ (35.00)	\$ -	\$ 35.00	\$ 32.01	\$ 12.55	\$ 121.56
(Details on Page 3)							
Available Service	Type	WHENEVER	WEEKEND				
NAC Value UNLTalk & Text	Incl Minutes	Minutes	Unlimited				
	T-Mobile to T-Mobile	Minutes	Unlimited				
	Text Messages	Messages	Unlimited				
	Use Them Or Lose Them	Minutes	-	Unlimited			
Unlimited Data Value	Mobile Broadband	Gigabytes	Unlimited				
Unlimited Messaging	Picture Messages	Messages	Unlimited				
Account Service Detail							
						Amount	Totals
Monthly Recurring Charges							\$ 77.00
NAC Value UNLTalk & Text from 4/03/13 to 5/02/13						\$ 50.00	
Partial charge for NAC Value UNLTalk & Text from 3/30/13 to 4/02/13						\$ 5.00	
Partial charge for Unlimited Data Value from 3/30/13 to 4/02/13						\$ 2.00	
Unlimited Data value from 4/03/13 to 5/02/13						\$ 20.00	
Unlimited Messaging from 4/03/13 to 5/02/13						\$ -	
Credits & Adjustments							\$ (35.00)
T-Mobile Waived Activation Fee						\$ (35.00)	
One Time Charge							\$ 35.00
One time charge for Activation Fee						\$ 35.00	
Other Charges							\$ 32.01
Non-Communications Related							
PHP Insurance(\$4.79)/w/MSec & Warranty(\$3.20) by Asurion from 3/30/13 to 4/02/13						\$ 0.80	
PHP Insurance(\$4.79)/w/MSec & Warranty(\$3.20) by Asurion from 4/03/13 to 5/02/13						\$ 7.99	
Communications Related							
Regulatory Programs Fee* from 3/30/13 to 4/02/13						\$ 1.61	
Regulatory Programs Fee* from 4/03/13 to 5/02/13						\$ 1.61	
Equipment Installments							
Plan #2012022071780 Unpaid Balance \$400 - Monthly Charge						\$ 20.00	
Taxes, Fees and Surcharges							\$ 12.55
Government Fees and Taxes							
State & Local Sales Tax						\$ 5.48	
Federal Universal Service Fund						\$ 2.05	
State Gross Receipts Tax						\$ 0.24	
State Telecom Excise						\$ 1.58	
County surcharge						\$ 0.08	
County Telecom Excise						\$ 1.25	
MCTD Surcharge						\$ 0.37	
Public Safety Communications surcharge						\$ 1.20	
County 911						\$ 0.30	
Total Charges							\$ 121.56

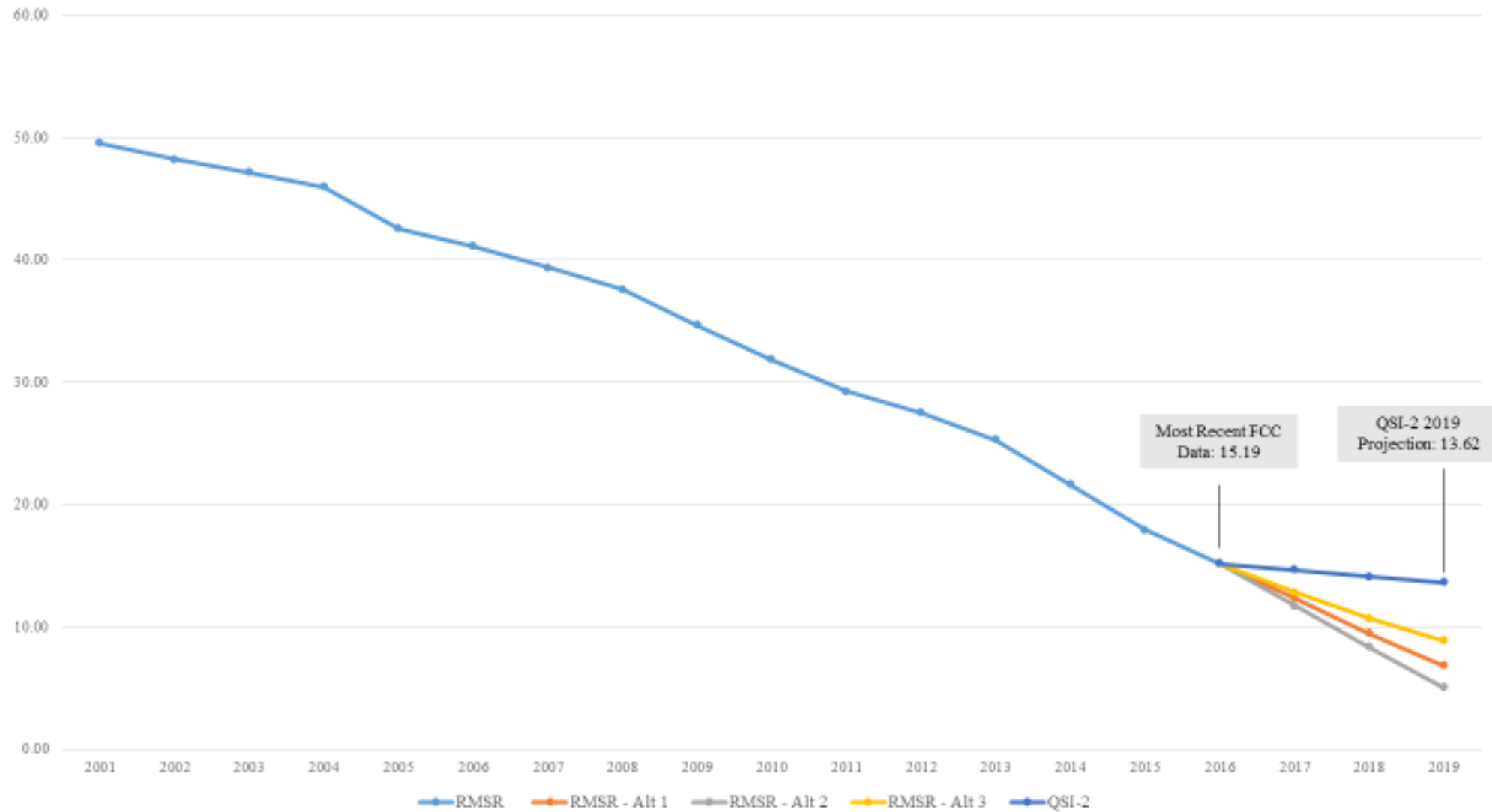
\$2 is 20% of \$10

So.. \$10 are Federal \$s

That is 1/3 of \$30

So 2/3 of \$30 is \$20

Retail Mobile Service Revenues (RMSR) 2001-2016

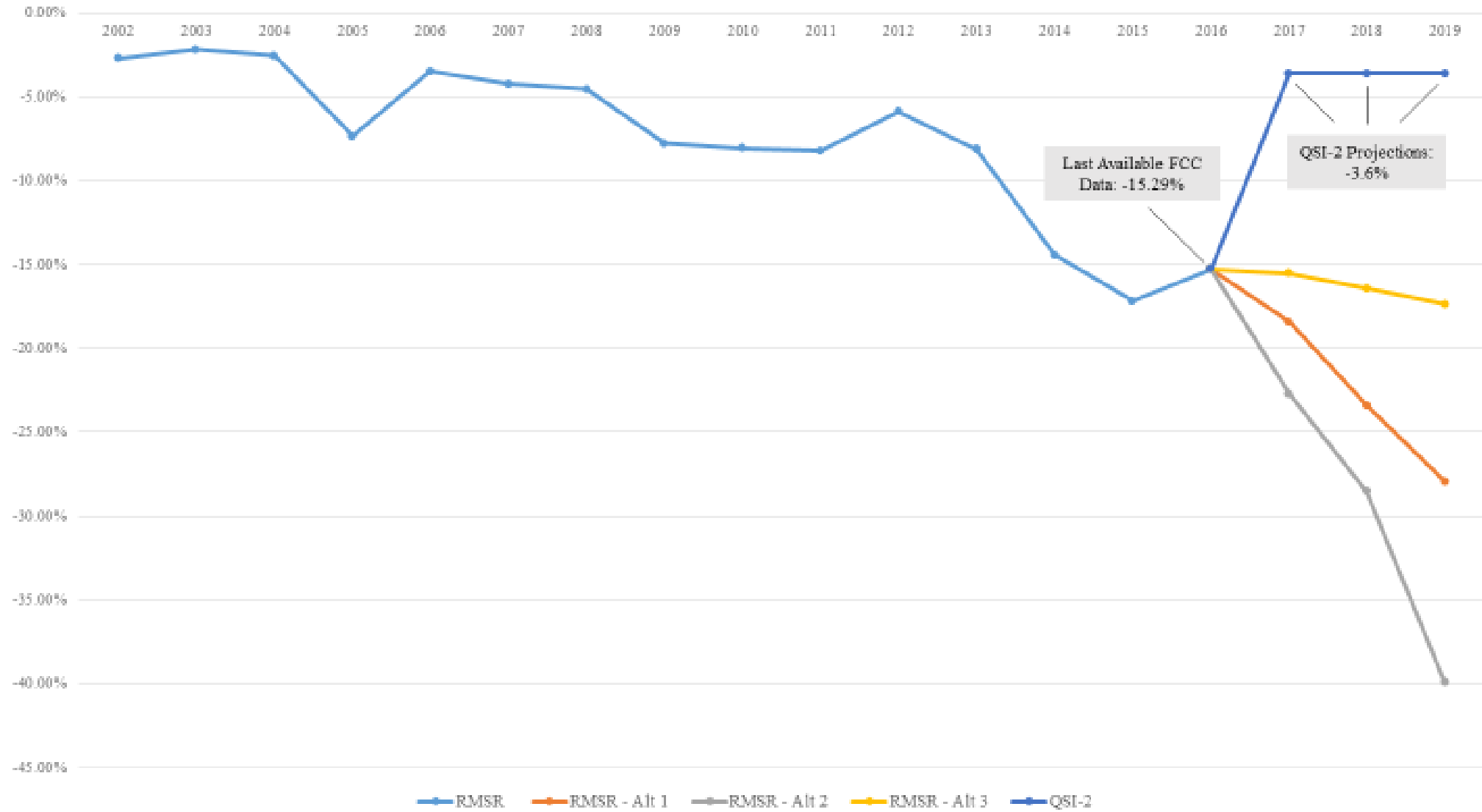


Different Scenarios – OPUC

	CONTRIBUTIONS GENERATED BY THE CONTRIBUTION BASE AT				
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	
	\$8.00 per line	\$12.00 per line	\$13.75 per line	\$16.00 per line	
4.00%	22,648,748	26,875,122	28,724,161	31,101,496	
5.00%	28,310,935	33,593,902	35,905,201	38,876,870	goal of \$34 million total
6.00%	33,973,122	40,312,683	43,086,241	46,652,244	goal of \$40 million total
7.00%	39,635,309	47,031,463	50,267,281	54,427,618	
8.00%	45,297,496	53,750,244	57,448,321	62,202,992	
8.50%	48,128,589	57,109,634	61,038,841	66,090,679	

The End

Percent Change Retail Mobile Service Revenues (RMSR) 2002-2016



Contribution Base. When the Commission implemented the 1996 Act, it chose to assess contributions based on end-user revenues.[1] Under this system, contributions are currently assessed based on a contributor's "projected collected interstate and international end-user telecommunications revenues, net of projected contributions." [2] In determining what revenues should be assessed and how contributors must report those revenues, the Commission requires contributors to distinguish revenues in three ways, as illustrated in Diagram 1 below. First, contributors are required to allocate between revenues derived from either **"telecommunications services" [3] or certain provisions of "telecommunications"** (whether offered on a common carrier or private carrier basis), [4] and revenues derived from **"information services" [5]** or consumer premises equipment (CPE). [6] Revenues from interstate telecommunications services have always been part of the contribution base, and the codified rules specifically enumerate services that generate assessable revenues, such as cellular telephone service, paging service, and prepaid calling cards. [7] This includes revenues from "stand-alone broadband telecommunications service [offered] on a common carrier basis," as described in the Wireline Broadband Internet Access Order. [8] **Revenues from interstate telecommunications to which the Commission has extended its permissive authority are also included in the contribution base.** [9] In contrast, revenues from information services (including retail broadband Internet access services) have never been included in the contribution base. [10] A contributor that provides a mix of these different types of services must therefore apportion its revenues between telecommunications and non-telecommunications sources for purposes of contribution assessment. [11]

What are eligible Revenues

19

- ▶ Intrastate – non-international and non-interstate
- ▶ Telecom Services – non-information services

With 72.4% intrastate

CONTRIBUTIONS GENERATED BY THE CONTRIBUTION BASE AT DIFFERENT SURCHARGE RATES						
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
	\$8.00 per line	\$12.00 per line	\$13.75 per line	\$16.00 per line	\$23.5 per line	\$25.00 per line
4.00%	23,925,395	28,790,093	30,918,398	33,654,790	42,776,098	44,600,360
5.00%	29,906,744	35,987,616	38,647,997	42,068,488	53,470,123	55,750,450
6.00%	35,888,093	43,185,139	46,377,597	50,482,185	64,164,147	66,900,540
7.00%	41,869,441	50,382,662	54,107,196	58,895,883	74,858,172	78,050,630
8.00%	47,850,790	57,580,185	61,836,796	67,309,580	85,552,196	89,200,719
8.50%	50,841,465	61,178,947	65,701,595	71,516,429	90,899,209	94,775,764

goal of \$34 million total
goal of \$40 million total