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# **An Explanation of Nevada Universal Service Fund**

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Subcommittee to Study Telecommunications Services in Nevada (ACR-2)

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# **The Concept of Universal Service**

- The value of telephone service increases as more people are connected with the telephone network.
- Telephone service has been considered as a necessity.
- While the concept of universal service was not codified until the passage of the Telecommunications Act of 1996, state and federal regulators had historically exercised their jurisdictional authorities to ensure the availability and affordability of local telephone service (universal service).
- Supporting mechanisms were largely embedded (and implicit) in rate making processes (e.g., support flowing from urban to rural consumers in rate-averaging, and from interstate and intrastate access charges).

# **Federal Law regarding Universal Service**

(The Telecommunications Act of 1996)

- The FCC and state commissions to take steps to establish support mechanisms to ensure the delivery of *affordable* telecommunications service to *all* Americans. (Section 254)
- The FCC to establish a Federal-State Joint Board. (Id.)
- The FCC, along with the Joint Board, to develop policies for the preservation and advancement of universal service. (Id.)

# **Federal Law regarding Universal Service** (Continued)

## Universal Service Principles (Section 254):

(1) QUALITY AND RATES — Quality service should be available at just, reasonable, and affordable rates.

(2) ACCESS TO ADVANCED SERVICES — Access to advanced telecommunications and information services should be provided in all regions of the Nation.

(3) ACCESS IN RURAL AND HIGH COST AREAS — Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information service, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

# **Federal Law regarding Universal Service** (Continued)

## Universal Service Principles (Continued):

### (4) EQUITABLE AND NONDISCRIMINATORY CONTRIBUTIONS –

All providers of telecommunications service should make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service.

(5) SPECIFIC AND PREDICTABLE SUPPORT MECHANISMS – There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.

(6) ACCESS TO ADVANCED TELECOMMUNICATIONS SERVICES FOR SCHOOLS, HEALTH CARE, AND LIBRARIES – Elementary and secondary schools and classrooms, health care providers, and libraries should have access to advanced telecommunications services.

## **Federal Law regarding Universal Service** (Continued)

### State Authority under the Federal Law

- A state may adopt additional regulations not inconsistent with the FCC's rules to preserve and advance universal service. (Section 254)
- Every telecommunications carrier that provides intrastate telecommunications is required to contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. (Id.)
- A state commission designates a common carrier as an Eligible Telecommunications Carrier ("ETC"), which offers the services that are supported by Federal universal service support mechanisms for an area designated by the state commission. (Section 214(e))

## **Nevada Utility Law re. Universal Service**

The Commission to provide for levy and collection of an assessment from a public utility that provides telecommunications services in order to maintain the availability of telephone services (NRS 704.040), where:

- (i) Amount of the assessment must be determined by the Commission.
- (ii) Assessments collected must be maintained in a separate fund established by the Commission
- (iii) The Commission must contract with an independent administrator to administer the fund through open competitive bidding procedures.
- (vi) The independent administrator collects the assessments and distribute them from the fund pursuant to a plan which has been approved by the Commission.
- (v) Money in the fund must not be used for any other purposes.

## **Nevada Utility Law re. Universal Service** (Continued)

The Commission to adopt regulations for provision of telecommunication Services to:

- (a) public schools;
- (b) public libraries;
- (c) providers of health care serving rural areas;
- (d) persons with low income; and
- (e) persons in rural, insular and high-cost areas.

Any regulations adopted must be consistent with the provisions of Section 254 of the Communications Act of 1934 as amended by the 1996 Act.  
(NRS 704.6873)



# **Nevada Utility Regulations re. Universal Service**

(NAC 704.6804 to 704.68056)

## Definition of Universal Service

“Universal service” means the availability of affordable and reliable basic service to as many customers in this state as economically and operationally practicable. (NAC 704.680424).

# **Nevada Utility Regulations re. Universal Service**

The Purpose of the fund for universal service (NAC 704.68043) is for:

- **Maintenance of Universal Service:** Ensure that the rates charged by a provider of basic service do not adversely affect universal service within all or a portion of the area served by the provider.
- **Support of Persons With Low Income and Persons in High-Cost Areas:** Provide money to ensure that persons with low income, and persons in rural, insular and high-cost areas have access to available intrastate telecommunication service that are reasonably comparable to those services available in urban areas at rates that are reasonably comparable to those charged in urban area.

# **Nevada Utility Regulations re. Universal Service**

The purpose of the fund (continued)

- **Support of Health Care Providers in Rural Areas:** Provide money to ensure that public or private nonprofit providers of health care which serve persons in rural areas have access to available intrastate telecommunication services that are reasonably comparable to those charged in the urban areas.\*
- **Support of Eligible Schools and Libraries:** Provide money to support discounts of rates for intrastate telecommunications services provided to eligible schools and libraries.\*

\* Money is available to the extent federal universal support is not available.

## **Eligibility Requirements to Qualify for Disbursement from the Fund**

- With a few exceptions, the provider of telecommunications service must be designated an Eligible Telecommunications Carrier (“ETC”) to draw money from the Fund. (NAC 704.68046)
- A provider of telecommunication service who seeks designation as an ETC by the Commission must (NAC 704.680461):
  - (i) Hold a CPCN that authorizes the carrier to provide basic service;
  - (ii) Offer telecommunications services supported by the federal universal service support mechanisms;
  - (iii) Advertise the availability of the services throughout the service area.

## **Eligibility Requirements to Qualify for Disbursement from the Fund**

- A small provider of last resort of basic service can draw money from the Fund in order to keep basic rates at an affordable level. (NAC 704.68048)
- A large provider of last resort of basic service can draw money from the Fund in order to keep basic rates at affordable level. The burden of demonstrating the necessity is on the provider.\* (NAC 704.6805)

\* Note that, pursuant to NRS 704.68952(8), an *electing* PAR carrier (currently SBC-Nevada is the only electing PAR carrier) is not eligible to receive money from the Fund, except for universal service support for lifeline and link-up services. Sprint is a PAR carrier, and this subsection does not apply.

# **Current State of Nevada Universal Service Fund**

- Independent Administrator:  
National Exchange Carrier Association (“NECA”)
- Size of the Fund:  
\$125,000 (as of Dec. 31, 2003)
- Contributors to the Fund:  
All carriers who have intrastate retail revenues including wireless carriers
- Current Assessment:  
0.0185% of a carrier’s intrastate retail revenues

# **Current State of Nevada Universal Service Fund**

## Recent Activities

- All incumbent carriers (designated as ETCs) offer Lifeline service to qualified low-income subscribers. No carriers have requested the disbursement of money from the Nevada Universal Service Fund (“NUSF”) for that purpose.
- No carrier has requested the disbursement of money from the NUSF for the purposes of provisioning discounted rates for eligible schools or libraries.
- No carrier has requested the disbursement of money from the NUSF for the purposes of provisioning discounted rates or discounted service for public or private nonprofit provider of health care serving persons in rural areas.

# **Current State of Nevada Universal Service Fund**

## Recent Activities (continued)

- Humboldt Telephone Company has requested money from the NUSF ending every year since 1997 for the purpose of keeping basic rates at an affordable level (per NAC 704.68048). It was granted \$186,000 for 2004.