



Matthew G. Bevin
Governor

Charles G. Snavely
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

James W. Gardner
Chairman

Daniel E. Logsdon Jr.
Vice Chairman

J. Roger Thomas
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovich
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovich@ky.gov

PSC Opens Review of Telephone Universal Service Fund *Fund subsidizes service for low-income consumers; is running out of money*

FRANKFORT, Ky. (Feb. 1, 2016) – The Kentucky Public Service Commission (PSC) has opened an administrative proceeding to investigate the Kentucky Universal Service Fund (KUSF), which provides subsidies for telephone service for low-income consumers in the state.

In an order issued today, the PSC said the investigation was prompted by a rapid depletion of the fund, which is in danger of being exhausted by April.

The first issue to be reviewed will be the need and mechanism for maintaining the solvency of the fund while the larger investigation is underway.

That investigation will examine whether to continue the KUSF, how and to what extent it should be funded if it is continued, the past and projected distributions from the KUSF that have created the current situation, and how such distributions should be made in the future.

Universal Service Funds (USF) were created by the Federal Telecommunications Act of 1996, with the goal of making telephone service available to everyone. The KUSF was established by the PSC in 1998.

Both a federal USF and the KUSF provide subsidies to landline and wireless telephone companies for eligible low-income customers served through the Lifeline program. Lifeline customers are required to provide proof of their low-income qualifying status to the phone company on an annual basis.

Initially, the KUSF received matching funds through the federal USF. The Federal Communication Commission in 2012 ended the matching support, and instead set the federal subsidy at \$9.25 per month per Lifeline customer.

The KUSF subsidy is \$3.50 per month, for a total subsidy of \$12.75 per month per Lifeline customer for companies participating in both the state and federal programs.

-more-

Funding for the KUSF comes through a monthly fee assessed on every landline and wireless access line in the state. It has ranged from 3 cents to 8 cents per month per line, and has been at 8 cents since June 2004.

Money collected via the fee goes to the Kentucky Finance and Administration Cabinet and is disbursed to telephone providers – both landline and wireless – who have been certified as eligible by the PSC.

In May 2011, the KUSF balance peaked at about \$11 million. It has since declined steadily, reaching just over \$400,000 in October 2015.

Before April 2012, the KUSF paid out about \$215,000 every month. Since then, the monthly disbursement has averaged about \$582,000. Last year, monthly payments out of the fund exceeded revenue by an average of about \$118,000.

In order to maintain the solvency of the KUSF in the short term, the PSC estimates that the monthly per-line assessment will need to be increased on an interim basis from 8 cents to 14 cents or the monthly Lifeline subsidy will need to be reduced to about \$2. The PSC said a decision on which measure to take must be made quickly.

All landline and wireless telephone providers, along with service resellers who participate in the Lifeline program, have been made parties to the case, as has the Kentucky Office of Attorney General.

The PSC has set a Feb. 22 deadline for the parties to submit comments on the proposal to raise the monthly fee or reduce the subsidy. Public comments on the interim fee increase or subsidy reduction are also due Feb. 22.

After the comments are reviewed, the PSC will issue an interim order with a decision regarding the immediate fee increase. Today's order also sets out a process and schedule for addressing the larger issues in the case.

The order is available on the PSC website, psc.ky.gov. The case number is 2016-00059.

Written public comments may be sent to the PSC in person or via mail, fax or e-mail. Comments should reference the case number and include the commenter's name and place of residence. Anonymous comments will not be accepted.

The address for the PSC is 211 Sower Boulevard, Frankfort, KY 40601. The fax number is 502-564-3460. The e-mail address is psc.info@ky.gov.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.