

# INDIANA UNIVERSAL SERVICE FUND

## INDIANA UTILITY REGULATORY COMMISSION (IURC)

The Indiana Universal Service Fund (IUSF) was established by IURC Order in response to revenue reductions caused by changes to Federal Communications Commission (FCC) rules that affected small rural incumbent local exchange carrier (ILEC) territories. An ILEC is a wireline-based local telephone company which was a regulated monopoly for a given service area prior to the Telecommunications Act of 1996, which deregulated local telephone service to allow competitive providers into the market. The IURC found that the fund would be competitively neutral and promote just, reasonable, and affordable rates for telephony services.

The IUSF is funded by a surcharge on the bills of intrastate telecommunications customers and is distributed to small rural ILECs that have demonstrated need through a triennial qualifications test. The IUSF is administered by a third party, Solix, Inc. (Solix), selected by the IUSF Oversight Committee and approved by the IURC. IUSF support is distributed each month to small ILECs that serve areas that are not economical to serve (e.g., large, rural areas with sparse population). Solix collects the funds and sends a check to each qualifying rural local exchange carrier. Essentially, the IUSF is so rural local exchange carriers continue to deploy and maintain phone service in their rural territories at competitive rates.

The IUSF is different from the federal Universal Service Fund. The federal Universal Service Fund is administered by the FCC and is funded by a surcharge on bills for interstate and international communications services. It funds the federal Lifeline program to subsidize communications services of low-income customers and the Connect America Fund, among other programs.

## QUICK FACTS

- Per 2014 data, the IUSF supports **32 rural ILECs** that serve approximately **107,000** homes and businesses.
- Current disbursements total **\$960,917** per month, and **\$11.5 million** annually.
- The IUSF fund balance totaled **\$1,494,602** at the end of the third quarter of 2017. The IUSF is funded by a surcharge that telecommunications companies collect from customers, currently at **2.26 percent** of the intrastate portion of the bill.

## INDIANA & FEDERAL UNIVERSAL SERVICE FUNDS TIMELINE

### FEBRUARY 1996

The Telecommunications Act of 1996 was signed into law, which set the framework for universal services, how they would be funded, and standards for telecommunications carriers to be eligible to receive federal support.

### 2007

The IUSF went into operation after unsuccessful appeals from some telecommunications carriers that contested the IURC's authority to create the fund.

### APRIL 2016

In the Lifeline Reform and Modernization Order of 2016, the FCC amended its rules to include Broadband Internet Access Service (BIAS) as a supported services, so low-income subscribers could have access to broadband services for access to jobs and educational and government services.

### MARCH 2004

The Final Order establishing the IUSF was approved by the IURC in Cause No. 42144.

### NOVEMBER 2011

The FCC issued the Connect America Fund (CAF) Order that made federal universal service fund support explicitly cover broadband, as long as it also can carry voice traffic. It also amended the definition of supported services to require voice telephony service (i.e., phone service), which allows any company that offers broadband to offer voice telephony because it can be delivered over Internet Protocol-enabled networks. It also contained a plan to transition some funds away from small rural carriers towards the underserved and unserved areas covered by large carriers.