

**Pennsylvania Universal Service Fund
Annual Report
October 2023**

Rolka Loube (RL), the Administrator of the Pennsylvania Universal Service Fund (Pa. USF or Fund), hereby submits the following report to the Pennsylvania Public Utility Commission (Pa. PUC or Commission) on the Fund Activities.

A. Pa. USF Financial Activities

As shown in the attached financial statements, Pa. USF Assessments during the January 2022 through December 2022 period were \$33.32 million and Operating Expenses were \$33.98 million. The corresponding Fund balance as of December 31, 2022, after taking into consideration interest earned, late payment charges, and administrative expenses paid, was \$3.24 million. Interest earned on the invested fund balance, which is credited to the Pa. USF, totaled \$44 thousand for the period.

B. Rolka Loube Recommendations for the Administration of the Pa. USF

1. Retain Annual Funding Contingency at 5%

For the past eighteen years, the Pa. PUC has approved an assessment factor that utilized a 5% funding contingency. This percentage contributes to the rate factor and is intended to account for uncollectible revenues and bad debt. Actual uncollectible revenue has averaged less than \$200,000 per year over the past fifteen years; however, there have been recent bankruptcies and abandonments by contributing carriers that support keeping a 5% contingency in the coming year.

2. Carryover Balance

The fund balance is projected to end the 2023 year at \$2.9 million.

The past two years, a conservative cash balance of \$1.5 million was used for calculation purposes. RL recommends maintaining the cash balance of \$1.5 million as of December 31, 2023, plus the prior year revisions received during 2023 of \$372,569.02, for our calculation purposes. This conservative cash balance will provide further cushion for any unforeseen variances.

3. Carrier Data Collection Reports of Prior Year Revenues

Carriers are required to report annual revenues from the prior calendar year by March 31st. The annually reported revenues are used in calculating the new year's Pa. USF assessment rate. Rolka Loube introduced in 2023 a web-based portal for online reporting whereby carriers could fulfill this requirement with the Administrator.

4. Significant Updates

On August 24, 2023, the Commission formally voted to issue an Advance Notice of Proposed Rulemaking (ANOPR) at Docket No. L-2023-3040646.¹ This ANOPR poses questions and solicits comments on various issue areas affecting the operation and the potential reform of the Pa. USF mechanism and the relevant Pa. PUC regulations.

In accordance with the directives of the Commission's December 2, 2021, Order at Docket No. M-00001337,² and relevant contractual obligations, Rolka Loube timely completed the Pa. USF annual carrier reviews for the 2021 reporting year for ten contributing and ten *de minimis* carriers. These reviews were finalized by June 30, 2023. The individual Carrier Review Reports and a Summary Report were formally filed with the Commission on August 3, 2023. These Reports contain a number of findings, observations, and recommendations involving certain carriers. Rolka Loube is currently working with Pa. PUC Staff on related follow-up activities.

C. Rolka Loube Recommendations for Ensuring Carrier Compliance

Rolka Loube recommends that the Commission continue to authorize a certain number of Carrier Compliance Reviews each year to ensure that the Carrier filings that are being submitted each year by March 31st are compliant with Pa. PUC regulations and directives. RL will submit a carrier selection plan to the Commission for approval. Upon completion of each carrier review, RL will submit a written report to the Commission that sets forth its findings and any recommended courses of action needed to remedy any findings of noncompliance.

D. Proposed Assessment Rate for Calendar Year 2024

In accordance with the Pa. PUC's rules for calculating the annual assessment factor, the Pa. USF assessment rate for 2024 has been calculated at 2.6877579% (.026877579) of calendar year 2022 average monthly intrastate end-user retail telecommunications revenue. The assessment calculation is based on data submitted by the carriers during the annual data collection process as well as projections of the fund carryover balance and administrative auditing fees.

1. For Support Recipients, reported 2021/2022 overall annual access line growth rate = (-10.95%) with one entity reporting an increase of 61 lines resulting in an increase in annual support due to recipient carriers.
2. Projected Pa. USF fund balance as of 12/31/2023 plus revisions received based upon completed carrier reviews conducted during 2023 for calculation = \$1,872,569.02
3. Projected 2024 annual support due to recipient carriers = \$33,832,274.54
4. Projected 2024 annual administration and audit fees = \$161,900
5. Projected 2024 5% allowance for uncollectibles = \$1,597,985.28

¹ *Proposed Rulemaking to Amend PA Universal Service Fund Regulations*, Docket No. L-2023-3040646, Advance Notice of Proposed Rulemaking Order adopted August 24, 2023.

² *Pennsylvania Universal Service Fund Annual Rate Adjustment*, Docket No. M-00001337, (Order entered December 2, 2021).



6. Projected 2024 total annual fund size = \$33,719,590.80 [(Line 3 + Line 4 + Line 5 – Line 2)]
7. Reported calendar year 2022 intrastate retail revenues (contributing carriers) = \$1,254,562,035.81
8. Recommended 2024 Assessment Rate = \$33,719,590.80 / \$1,254,562,035.81 = **.026877579**

E. Comparative Analysis

Below is comparative analysis between various data points used to calculate the **proposed** 2024 Assessment Rate and the approved 2023 Assessment Rate.

Items Compared	2023 Rate Calculation	2024 Rate Calculation	Percent Difference
Monthly Support Amount	\$2,819,047.39	\$2,819,356.21	0.01%
# of Contributors	213	205	-3.76%
# of Carriers with <\$120 assessment/year	101	85	-15.84%
Assessment Rate	0.025307826	0.026877579	6.20%

Items Compared	2021	2022	Percent Difference
Net (Total) Intrastate Operating Revenue (all carriers)	\$1,347,151,452.88	\$1,254,613,668.46	-6.87%
Support Carriers Annual Intrastate Revenue	\$117,416,886.13	\$104,950,938.49	-10.62%
Support Carriers Access Lines	328,713	292,721	-10.95%



Assessment Rate Growth			
2010	2011	↑	7.55%
2011	2012	↑	0.32%
2012	2013	↑	19.88%
2013	2014	↑	2.67%
2014	2015	↑	7.35%
2015	2016	↑	4.48%
2016	2017	↑	5.23%
2017	2018	↑	7.17%
2018	2019	↑	8.23%
2019	2020	↓	-1.61%
2020	2021	↑	4.01%
2021	2022	↓	-1.93%
2022	2023	↑	19.07%
2023	2024	↑	6.20%

