

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSION REDFORD
COMMISSIONER RAPER
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: GRACE SEAMAN

DATE: APRIL 9, 2015

RE: 2014 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM ANNUAL
REPORT; CASE NO. GNR-T-15-03.

BACKGROUND

Each year the Administrator of the Idaho Telecommunications Service Assistance Program (ITSAP) files a report detailing the activities and status of the program during the previous year and submits a recommended budget for the next year. ITSAP provides eligible recipients with a reduction in the cost of residential basic local exchange telephone service. Funds for the program are raised through a surcharge on all end-user business, residential, and wireless access service lines. The Commission determines the uniform statewide monthly surcharge and the Idaho Department of Health and Welfare administers the program and grants limited federal "lifeline" contributions to Idaho's low-income customers. *Idaho Code* § 56-901(1). Idaho telephone companies provide assistance in the form of a monthly discount of \$2.50 to eligible subscribers. *Idaho Code* § 56-902(1). To be eligible for the ITSAP assistance, the applicant must be the head of a household and meet narrowly targeted eligibility criteria based solely on income or factors established by the Department of Health and Welfare. *Idaho Code* § 56-903(1). To be eligible to receive reimbursement for providing low-income benefits (ITSAP and the federal Lifeline assistance), a company must be designated as an eligible telecommunications carrier (ETC) by a state commission. 47 C.F.R. § 54.201(a)(1).

THE 2014 ANNUAL REPORT

In the annual report filed March 4, 2015, the ITSAP Administrator, Alyson Anderson, reported a drop in wireline access lines of 6%, a decrease in wireless lines (5%), and a decrease in

the number of ITSAP recipients by 25% (the same as the previous year). The ITSAP reimbursements dropped sharply in 2014 due to the ETC withdrawal of a wireless service provider and to the annual database reconciliation. The gross surcharge revenue for the year was reported at \$631,922 of which \$176,307 (28%) was assessed on wireline services and \$455,614 (72%) was assessed on wireless services. The Administrator explains that ETCs remit net surcharge revenue, which is gross surcharge revenue less any assistance credits provided to eligible recipients and the ETC's administrative costs. Thus, net surcharge revenue collected and deposited in 2014 totaled approximately \$486,467.

The average number of wireline access lines per month reported to the Administrator was 427,065 compared to 454,941 in 2013, and the average number of wireless access lines per month was 1,329,112 compared to 1,395,896 in 2013. Overall, there was a decrease of approximately 94,660 in the total number of average monthly lines subject to the ITSAP surcharge (1,756,177 lines per month compared to 1,850,837 in 2013).

The average number of reported ITSAP recipients per month in 2014 (10,674) decreased by 25% from 2013 (17,626). Telecommunications companies received \$365,725 in disbursements for ITSAP credits paid to eligible recipients compared to \$661,876 in 2013. Disbursements for company administrative costs were \$51,979, a decrease from 2013 (\$57,818).

The Administrator's fees and expenses were \$9,585 for the year. The fund's cash balance at the end of the year was reported at \$1,064,271.

2015 BUDGET AND TRENDS

The ITSAP Administrator projects the funding requirements for 2015 will continue to decrease. The Administrator estimates that the ITSAP recipient reimbursements to the companies for 2015 will be approximately \$219,810, and expenses are projected to be \$63,412 for costs associated with administration of the program—this includes the Administrator's costs (\$13,150), the telephone companies' administrative costs (\$41,262), and the cost for a triennial audit (\$9,000).

To establish the 2015 budget, the Administrator estimates that the number of access lines subject to the surcharge will be approximately 1,745,472 per month and the average number of ITSAP recipients will be approximately 10,028 per month. Based on this data, Ms. Anderson projects the funding requirement for 2015 will be approximately \$283,222.

ADMINISTRATOR'S 2015 FUNDING RECOMMENDATIONS

Ms. Anderson states that there was another significant drop in credit recipients during 2014. If the current surcharge rate and monthly assistance credit are maintained; the estimated balance at the end of the year would be approximately \$1,409,400. The impact of the 2012 Legislation that reduced the monthly assistance amount from \$3.50 to \$2.50 combined with the 2014 fund balance indicates another reduction in the ITSAP surcharge rate is necessary. For the past few years there has been a cautious approach to reducing the surcharge rate for the following reasons: (1) The unknown impact of the wireless ETCs that have not begun marketing the ITSAP Lifeline discounts in Idaho; (2) The long term impact of the ITSAP database reconciliation; and (3) The possibility that some companies not requesting reimbursement of program administrative costs may do so in the future. Despite the uncertain nature of the program, the Administrator recommends the surcharge rate be reduced to \$0.01 per wireline and wireless access line. At this rate, the fund balance will be adequate to reimburse companies for assistance credits provided, as well as maintain an adequate balance. The estimated balance for the end-of-year 2015 is projected to be approximately \$990,500.

STAFF ANALYSIS AND FUNDING RECOMMENDATION

Staff has reviewed the 2014 annual report, the proposed 2015 budget, and the 2015 funding recommendation. Staff believes the 2015 budget is reasonable and supports the Administrator's recommendation to decrease the surcharge rate from \$0.03 to \$0.01 per access line. This reduction should reduce the cash surplus, while maintaining an adequate fund balance. Thus, Staff recommends that the Commission approve the Administrator's rate proposal and the 2015 budget.

COMMISSION DECISION

1. Does the Commission wish to accept the 2014 annual report and adopt the Administrator's 2015 budget?
2. Does the Commission wish to adopt the Administrator's recommendation to decrease the monthly ITSAP surcharge rate to \$0.01 per access line?



Grace Seaman

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