

## DECISION MEMORANDUM

**TO:** COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSION REDFORD  
LEGAL  
WORKING FILE

**FROM:** GRACE SEAMAN

**DATE:** APRIL 2, 2010

**RE:** 2009 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM  
ANNUAL REPORT; CASE NO. GNR-T-10-2.

### 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. The Administrator also determines the funding requirement for the following year and submits a recommended budget with the annual report.

The Idaho Telephone Service Assistance Program (ITSAP) was established by the Idaho Legislature in 1987 to provide income-eligible recipients with a reduction in costs of residential basic local exchange telephone service. The Idaho Department of Health and Welfare administers the program in conjunction with federal programs to maximize federal “lifeline” and “link up” contributions to Idaho’s low-income customers. *Idaho Code* § 56-901(1). Funds for the program are raised through a uniform statewide monthly surcharge on end-user business, residential, and wireless access service lines as determined by the Idaho Public Utilities Commission. *Idaho Code* § 56-904(1). Idaho telephone companies provide assistance in the form of a monthly discount of \$3.50 to eligible subscribers. *Idaho Code* § 56-902. To be eligible for the ITSAP program, an applicant must be the head of a household and meet narrowly targeted eligibility criteria established by the Department of Health and Welfare. *Idaho Code* § 56-903. The ITSAP surcharge has been maintained at \$.06 per access line per month for the past three years. *See* Commission Order No. 30775.

## THE 2009 ANNUAL REPORT

On February 26, 2010, the Idaho Telephone Service Assistance Program Administrator, Alyson Anderson, filed the ITSAP annual report for the fiscal year ending December 31, 2009. Ms. Anderson reported that 2009 saw a drop in local access lines (6%), an increase in wireless lines (8%), and a slight decrease in the number of ITSAP recipients (1%). Ms. Anderson reported gross revenues from surcharges of \$1,207,317, of which \$437,933 (36%) was assessed on wireline services and \$763,384 (64%) was assessed on wireless services. Accrued interest from a Merrill-Lynch CMA-Government Securities Fund added \$78 to the revenue, for a total fund revenue amount of \$1,201,395.

The average number of wireline access lines per month reported to the Administrator for 2009 decreased by 6% to approximately 579,150. The average number of wireless access lines per month increased by 8% to approximately 1,064,650. In the aggregate, the average number of wireline and wireless lines per month increased by approximately 41,235, for an average monthly total of approximately 1,643,800.

The 2009 average number of reported ITSAP recipients per month (27,690)<sup>1</sup> decreased slightly by 1% from 2008 (28,006). Telecommunications companies received \$1,175,529<sup>2</sup> in disbursements for ITSAP credits paid to eligible recipients during the year compared to \$1,172,978 in 2008. Disbursements for telephone company administrative costs were \$126,330, nearly the same as the 2008 amount (\$129,341).

The ITSAP Administrator's fees and expenses were \$18,531 for the year. These expenses include bank charges and audit fees. The fund's cash balance at the end of the year was reported at \$221,922. Due to the negligible interest rates, the Administrator made no investments in U.S. Treasury bonds as she has in past years. Instead, in the 2009 report, the Administrator recommended and the Commission concurred that funds would not be reinvested. Instead the Commission determined that the fund balance should be drawn down and maintained at a level necessary to keep the fund viable.

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<sup>1</sup> The number of recipients reported by the telephone companies peaked in May 2009 at 28,698.

<sup>2</sup> Some companies submit reports and remittances on a monthly basis while others submit on a quarterly, semi-annual or annual basis. This creates a lag time for the Administrator from the time the telephone company funds are deposited to when disbursements are made to the companies. For this reason, the disbursements for eligible recipient credits are slightly higher in 2009 even though the number of recipients decreased during the same period. The disbursement amounts reported by the Administrator are for actual payments made during the calendar year.

## **2010 BUDGET AND TRENDS**

In Ms. Anderson's 2010 budget, she projects the funding requirement to be approximately \$1,163,200. The number of local access lines is expected to decrease by an estimated 3.5% and the number of wireless lines is expected to increase by 2.5%. As anticipated, the average number of recipients per month in 2009 decreased slightly, but is expected to remain relatively unchanged or decrease only slightly in 2010. Based on the December 2009 data, Ms. Anderson estimates the average number of recipients in 2010 to be approximately 26,252 per month.

The ITSAP recipient reimbursement for 2010 is projected to be approximately \$1,102,600 and the ITSAP expenses are estimated to be \$105,554 for costs associated with administration of the ITSAP program. Telephone company administrative costs are estimated to be \$95,600, and the ITSAP Administrator costs are expected to be \$10,000. The surcharge revenue received from local access and wireless telephone companies, at the current rate of \$0.06, is projected to be \$1,163,200. With the 2009 end-of-year cash balance of \$221,922 and an interest accrual of approximately \$80, the 2009 year-end cash balance is estimated to be \$177,100.

## **ADMINISTRATOR'S 2010 FUNDING RECOMMENDATIONS**

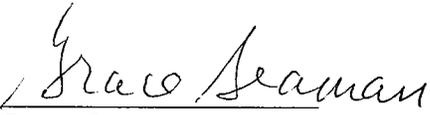
Based upon the estimated 2010 budget, Ms. Anderson believes adequate ITSAP funding will be supported at the current surcharge rate of \$.06 per line. She, therefore, recommends the current rate to be maintained during 2010. The surcharge rate of \$0.06 combined with the 2009 year-end cash balance will result in a 2010 year-end fund balance of approximately \$177,100. This amount is sufficient to provide a 2-month cushion.

## **STAFF RECOMMENDATION**

Staff has reviewed both the ITSAP annual report and the proposed 2010 budget. Staff believes the 2010 budget is reasonable and agrees with the Administrator's recommendation to maintain the current ITSAP surcharge rate at \$0.06 per access line. Staff, therefore, recommends that the Commission approve both the Administrator's rate proposal and the 2010 budget.

## COMMISSION DECISION

1. Does the Commission wish to maintain the monthly Idaho Telephone Service Assistance Program surcharge rate of \$0.06 per line as adopted in Order No. 30775?
2. Does the Commission wish to accept the annual report and adopt the Administrator's budget for 2010?

  
Grace Seaman  
Grace Seaman

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