

DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: APRIL 22, 2011

RE: 2010 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM ANNUAL
REPORT; CASE NO. GNR-T-11-03.

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. 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 2010 ANNUAL REPORT

On March 1, 2011, the ITSAP Administrator, Alyson Anderson, filed the 2010 annual report. Ms. Anderson reported a drop in wireline access lines of 8%, a slight decrease in wireless

lines (.6%), and a slight decrease in the number of ITSAP recipients (.6%). The gross revenue for the year was reported at approximately \$1,111,000, of which \$378,221 (34%) was assessed on wireline services and \$732,776 (66%) was assessed on wireless services. Accrued interest from a Merrill-Lynch CMA-Government Securities Fund added a nominal \$9.00.

The average number of wireline access lines per month reported to the Administrator was 532,315 compared to 579,150 in 2009, and the average number of wireless access lines per month was 1,070,738 compared to 1,064,650 in 2009. Overall, there was a decrease of approximately 40,750 in the total number of lines subject to the ITSAP surcharge (1,603,100 lines compared to 1,643,800 in 2009).

The average number of reported ITSAP recipients per month in 2010 (27,539)¹ remained about the same as 2009 (27,690). Telecommunications companies received \$1,159,958 in disbursements for ITSAP credits paid to eligible recipients compared to \$1,175,529 in 2009. Disbursements for telephone company administrative costs were \$93,154, a decrease from 2009 (\$126,330).

The Administrator's fees and expenses, including bank charges, were \$8,993 for the year. The fund's cash balance at the end of the year was reported at \$70,823. In the 2008 annual report, the Commission concurred with the Administrator's recommendation that funds should not be reinvested in U.S Treasury bonds. Instead, the Commission determined that the fund balance should be drawn down and maintained at a level necessary to keep the program viable. Consequently, the surcharge rate has remained unchanged since 2006.

2011 BUDGET AND TRENDS

In Ms. Anderson's 2011 budget, she assumes that the current program trends will prevail with wireline access lines continuing to decrease at the rate of 8%, the wireless lines remaining about the same, and the number of ITSAP recipients averaging about 27,500 per month. Based on these assumptions, Ms. Anderson projects the funding requirement for 2011 will be approximately \$1,277,100.

The ITSAP recipient reimbursement to the companies for 2011 is projected to be approximately \$1,160,000, and the expenses are estimated to be \$108,100 for costs associated with

¹ The number of recipients reported by the telephone companies peaked in March 2010 at 28,789.

administration of the program. The surcharge revenue received from local access and wireless telephone companies, at the current rate of \$0.06, is projected to be \$1,153,600.

ADMINISTRATOR'S 2011 FUNDING RECOMMENDATIONS

Based upon the estimated 2011 budget, Ms. Anderson believes the ITSAP fund, at the current rate, will result in an end-of-year balance of approximately \$3,400. In the Administrator's opinion, this is not an adequate balance and, therefore, recommends that the surcharge be increased from \$0.06 to \$0.07 per line. A surcharge rate increase to take place mid-year, combined with the 2010 year-end cash balance should result in a 2011 year-end fund balance of approximately \$99,547. Ms. Anderson states that at this rate, the funds should be adequate to reimburse companies, maintain a minimal balance, and minimize future up-and down adjustments to the surcharge rate.

STAFF RECOMMENDATION

Staff has reviewed the 2010 annual report and the proposed 2011 budget. Staff believes the 2011 budget is reasonable and agrees with the Administrator's recommendation to increase the current surcharge rate from \$0.06 to \$0.07 per access line with an effective date of June 1, 2011. Staff, therefore, recommends that the Commission approve both the Administrator's rate proposal and the 2011 budget.

COMMISSION DECISION

1. Does the Commission wish to increase the monthly ITSAP surcharge rate from \$0.06 to \$0.07 per access line with an effective date of June 1, 2011?
2. Does the Commission wish to accept the annual report and adopt the Administrator's budget for 2011?



Grace Seaman

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