



Case No. GNR-T-17-04, Order No. 33851

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Surcharges set to increase, future of Universal Service Fund to be scrutinized

BOISE (Aug. 22, 2017) – Faced with declining revenue as Idahoans increasingly abandon land line phone service, state regulators have raised a monthly surcharge on land lines and questioned the sustainability of the Idaho Universal Service Fund (IUSF).

The fund was established in 1988 to ensure all Idahoans have access to local telephone service at reasonable rates.

This is accomplished by taking revenue collected from a surcharge on land-line users and long-distance call minutes, and distributing it to telecommunications carriers that meet eligibility requirements.

Over the last several years, however, revenue has been insufficient to cover distributions. In the recently completed 2017 fiscal year, for example, the fund collected nearly a half-million dollars less than it distributed.

The trend prompted the Commission to raise the monthly surcharge on each residential line to 25 cents (the current surcharge is 12 cents), and to 44 cents for each business line (currently 20 cents), effective Sept. 1.

The cost for each minute of a long-distance call is set to increase too, from ½ cent per minute to 0.9 cents per minute.

The changes are expected to allow the fund to meet its obligations for the 2018 fiscal year, but the Commission expressed concern that raising the surcharge will cause more Idahoans to abandon their land lines, exacerbating the trend and eventually making the fund unsustainable.

To address this, the Commission opened a generic docket to facilitate communication with the general public, telephone company representatives and other stakeholders, with a goal of developing a sustainable approach for the fund in a declining industry where land lines are being replaced with new technology such as cell phones and Voice over Internet Protocol.

“We...find it prudent and necessary to take a hard look at the sustainability and viability of the IUSF,” the Commission said in its order.

The IUSF was created through the Idaho Telecommunications Act of 1988 with the goal of maintaining statewide availability of local phone service at reasonable rates in rural areas where the cost of providing service is more costly than in urban areas.

With assistance from the Universal Service Fund, rural telephone companies are able to keep their rates at no more than 25 percent above rates in more urban areas.

While revenue from the fund has declined from approximately \$2 million in 2015 to \$1.29 million in 2017, disbursements have held steady: The eight rural telephone carriers that are eligible for fund disbursements have received a total of \$1,698,610 every year since 2013.

Absent an increase to the surcharges, the fund would not have been able to meet its obligations in the current fiscal year.

A full text of the commission’s order is available on the commission’s Web site at www.puc.idaho.gov. Click on “File Room” and then on “Telecommunications Cases” and scroll down to Case No. GNR-T-17-04.