



Case No. GNR-T-18-06
Final Order No. 34131
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Regulators maintain surcharge levels for fund that helps keep phone service affordable

BOISE (August 29, 2018) – State regulators have left unchanged the rates associated with the Idaho Universal Service Fund (IUSF), which ensures all Idahoans have access to local telephone service at reasonable rates.

Revenue from a surcharge on all residential and business land lines and long-distance call minutes is earmarked for the IUSF, and USF disbursements are made to eight telecommunications carriers that meet certain eligibility requirements.

The goal is to ensure local phone service is available at reasonable rates throughout Idaho, particularly in rural areas where the cost of providing service is higher than in urban areas.

The Idaho Public Utilities Commission establishes the surcharges each fall, and they remain in effect for a 12-month period beginning Oct. 1.

A year ago, the Commission raised the surcharges amid concerns about the sustainability of the IUSF as Idahoans increasingly abandon land line phone service in favor of cell phones and Voice Over Internet Protocol service.

Despite a continuing decline in the number of land-lines throughout the state in the 2018 fiscal year, the Commission recently determined that the IUSF surcharges should be maintained at 25 cents per residential line, 44 cents per business line and 0.9 cents per minute of a long-distance call for a second consecutive year.

In [its order](#), the Commission said that leaving the surcharges unchanged would be sufficient to maintain a prudent IUSF fund balance.

Increasing the surcharges, the Commission has cautioned, could prompt more Idahoans to abandon their land lines, exacerbating the trend and eventually making the IUSF unsustainable.

To address the fund's sustainability, the Commission launched [an investigation into the IUSF](#) in fall 2017 that has involved Commission staff and representatives of the telecommunications industry.

Upon conclusion of the probe, Commission staff is expected to submit a report for Commission review.

The IUSF was created through the Idaho Telecommunications Act of 1988 in order to ensure all Idahoans have access to phone service at reasonable rates. Disbursements from the fund allow rural telephone companies to keep their rates at no more than 25 percent above rates in more urban areas.

In recent years, however, IUSF revenue has been insufficient to cover distributions. A shortfall of nearly a half-million dollars in the 2017 fiscal year prompted the Commission to raise the monthly surcharge on each residential line from 12 cents to 25 cents. For each business line, the surcharge increased from 20 cents to 44 cents, and the cost of each minute of a long-distance call rose from a half-cent to 0.9 cents.

Those changes allowed the IUSF to cover its expenses in the 2018 fiscal year - with \$1.89 million in revenue and 1.69 million in disbursements – despite a 14-percent decline in the number of residential land lines statewide, a 6-percent decline in business lines in service and a 12-percent decrease in long-distance call minutes billed.

In its order, the Commission acknowledged the efforts of the IUSF administrator, noting that industry trends make the fund difficult to manage.

“We commend her work,” the Commission said. “We further note it is important for the Commission to maintain strict oversight of the IUSF balance to avoid unforeseen cash flow impacts due to diminishing line counts and minutes.”

Here are some statistics from the [2018 IUSF Annual Report](#):

- In FY2017, IUSF revenues totaled \$1.29 million
- As of May 2018, there were 122,347 residential lines in service in Idaho
- 114,359 business lines in service in May 2018
- 110,719,570 long-distance call minutes were billed in the FY18
- Disbursements from the fund held steady at 1.69 million in FY18
- The disbursement amount has remained unchanged since 2013

To access documents related to this case, go to the Commission website, www.puc.idaho.gov. Under “Telecom,” click on “Open Cases” and scroll down to case number [GNR-T-18-06](#).