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IDAHO PUBLIC  
UTILITIES COMMISSION

October 4, 2018

GNR-T-17-05

Sean Costello  
Deputy Attorney General  
Idaho Public Utilities Commission  
472 W Washington Street  
Boise, ID 83702

Dear Deputy Attorney General Costello,

CTIA submits this letter in response to Deputy Attorney General Sean Costello's September 7, 2018 Memorandum in Idaho Public Utilities Commission ("Commission") Case No. GNR-T-17-05. Via the Memorandum, Commission staff invited interested parties to submit legislative proposals for Idaho Universal Service Fund ("IUSF") reform for consideration at an informal October 17, 2018 settlement meeting. As explained below, CTIA and its members appreciate staff's invitation, but decline to submit specific legislative language at this time for the reasons described below.

CTIA disagrees with the premise that there is any need for changes to the funding mechanism for the IUSF in order to maintain the solvency of the fund. The IUSF has an annual budget target of approximately \$1.9M inclusive of disbursements to carriers, expenses, and surplus funding requirements. The IUSF currently is funded through surcharges of \$0.25 per residential line, \$0.44 per business line, and \$0.009 per MTS/WATS minute. These are modest surcharges. While the IUSF Administrator reported steady declines in access lines and WATS/MTS minutes subject to surcharge, IUSF surcharge revenue has actually increased.<sup>1</sup> Given the modest levels of the current surcharges there is considerable room to increase surcharge levels to offset the diminishing IUSF contribution base.

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<sup>1</sup> According to Daniel Klein's August 9, 2018 Decision Memorandum in Case No. GNR-T-18-06, "[s]urcharge revenue for the [USF fiscal year from July 1, 2017 through June 30, 2018] increased by approximately \$407,397 and MTS/WATS surcharge revenue increased by approximately \$190,564." See Decision Memo at 2.



If the IUSF is facing any problem, it would appear to be with predictability, not sustainability. To that end, the IUSF Administrator indicated that “it is difficult to accurately calculate the funding requirements necessary to maintain adequate funding balances throughout the fiscal year.”<sup>2</sup> However, despite the IUSF Administrator’s claim that funding balances are difficult to predict throughout the year, it was able to use a five-year line/minute loss trend to present the Commission with several funding model options.<sup>3</sup>

The foregoing illustrates that there is both ample room for surcharge increases and sufficient data for reasonable predictive adjustments to maintain a stable fund.

If the Commission is intent on recommending legislative changes to the Legislature, the Commission can look to its western and eastern neighbors for potential solutions. In Washington, the universal service fund is supported by taxpayer funds exclusively.<sup>4</sup> The use of general revenues to fund universal service is more appropriate given the general benefit of such programs,<sup>5</sup> and also more economically efficient because the effort to extend the availability of communications services does not suppress demand for those same services.<sup>6</sup> In Montana, the Public Service Commission has statutory authority to fund a Montana universal service fund, but it has declined to do so for decades. Despite the absence of a universal service fund in Montana, Idaho and Montana have essentially equivalent telephone penetration percentages.<sup>7</sup> Thus, should the Commission determine that it desires to make a legislative proposal, CTIA suggests that the Commission consider recommending either Washington’s example of funding

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<sup>2</sup> Decision Memorandum from Daniel Klein, at 3 (August 9 2018).

<sup>3</sup> *Id.* at 5-6

<sup>4</sup> Rev. Code Wash. §§ 80.36.650(2); 80.360.690.

<sup>5</sup> CTIA Response to House of Representatives White Paper on Universal Service Policy (2014) at 1-4, <https://www.ctia.org/docs/default-source/Legislative-Activity/ctia-usf-response-to-house-white-paper-091914.pdf?sfvrsn=0>.

<sup>6</sup> *See, e.g.*, Robert W. Crandall and Leonard Waverman, WHO PAYS FOR UNIVERSAL SERVICE? WHEN TELEPHONE SUBSIDIES BECOME TRANSPARENT, Brookings Inst. Press (2000) at 169.

<sup>7</sup> *See* Universal Service Fund Monitoring Report – 2017, CC Docket No. 96-45, WC Docket Nos. 02-6, 02-60, 06-122, 10-90, 11-42, 13-184, at Table 6.6 Voice Penetration by State, 2011-2016 (available at [https://www.fcc.gov/sites/default/files/2017\\_universal\\_service\\_monitoring\\_report.pdf](https://www.fcc.gov/sites/default/files/2017_universal_service_monitoring_report.pdf)) (showing a 0.1% difference in telephone penetration in Montana and Idaho in 2016; in other years (2011 and 2012) Montana’s percentage *exceeded* Idaho’s).



universal service through general revenues or Montana's model of trusting the sufficiency of federal universal service support and declining to provide additional state funding.

Finally, if there is a sentiment to fund broadband, as may be addressed by other commenters, then the legislature should choose to do so (1) independently and without the urging of the Idaho PUC, as broadband services would fall outside of the commission's jurisdiction and (2) without relying on the IUSF, which is only authorized to fund local exchange service and MTS. As discussed above, such a program is better funded through general revenues.

Sincerely,

Benjamin J. Aron  
Director, State Regulatory Affairs  
CTIA