

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSION RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: DANIEL KLEIN

DATE: MARCH 26, 2021

RE: 2020 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM ANNUAL REPORT; CASE NO. GNR-T-21-03.

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 and submits a recommended budget for the next year. ITSAP provides eligible recipients with a reduction in the cost of residential basic local exchange telephone service. Funds for the program are raised through a surcharge on all end-user business, residential, and wireless access service lines not receiving the ITSAP credit. The Commission determines the uniform statewide monthly surcharge and the Idaho Department of Health and Welfare administers the program and grants limited federal “lifeline” contributions to Idaho’s low-income customers. *Idaho Code* § 56-901(1). Idaho telephone companies provide assistance in the form of a monthly discount of \$2.50 to eligible subscribers. *Idaho Code* § 56-902(1). To be eligible for the ITSAP assistance, the applicant must be the head of a household and meet narrowly targeted eligibility criteria based solely on income or factors established by the Department of Health and Welfare. *Idaho Code* § 56-903(1). To be eligible to receive reimbursement for providing low-income benefits (ITSAP and the federal Lifeline assistance), a company must be designated as an eligible telecommunications carrier (ETC) by a state commission. 47 C.F.R. § 54.201(a)(1).

THE 2020 ANNUAL REPORT

In the annual report filed on February 16, 2021, the ITSAP Administrator, Kathleen Toohill, reported a decrease in wireline access lines (19%), a decrease in wireless lines (30%), and

a significant decrease in the number of ITSAP recipients (20%) from the previous year. The gross surcharge revenue for the year was reported at \$53.

The average number of wireline access lines per month reported to the Administrator was 173,928 compared to 215,906 in 2019, and the average number of wireless access lines per month was 211,938 compared to 304,298 in 2019. Overall, there was a decrease of approximately 134,338 in the total number of average monthly lines subject to the ITSAP surcharge (385,866 lines per month compared to 520,204 in 2019). These numbers are under reported due to a lack of wireless providers reporting line counts due to the surcharge suspension.

The average number of reported ITSAP recipients per month in 2020 (1,180) decreased by 20% from 2019 (1,471). Telecommunications companies received \$35,521.25 in disbursements for ITSAP credits paid to eligible recipients compared to \$44,143 in 2019. Disbursements for company administrative costs were \$8,892.62, a decrease from 2019 (\$11,394).

The Administrator's fees and expenses were \$9,971.79 for the year. The fund's cash balance at the end of the year was reported at \$1,103,645.45.

2020 BUDGET AND TRENDS

The ITSAP Administrator projects the funding requirements for 2020 will increase for the first time in years. There have been several new companies that have been granted access to participate in ITSAP. The Administrator estimates that the ITSAP reimbursements to the companies at approximately \$309,456. The ITSAP Administrator expenses are projected to be \$17,750 including a triennial audit.

To establish the 2020 budget, the Administrator estimates that the number of access lines subject to the surcharge will be approximately 385,866 per month and the average number of ITSAP recipients will increase to approximately 7180 per month. Based on this data, Ms. Toohill projects the funding requirement for 2021 will be approximately \$327,206, and the end-of-year balance is expected to be about \$776,439.

ADMINISTRATOR'S 2020 FUNDING RECOMMENDATIONS

Ms. Toohill states that there was another significant drop in credit recipients during 2020. Even with the prospect of increased participation, the Administrator recommends that the surcharge rate continue to be suspended an additional year, but that all companies must report access lines to her during this period. The Administrator affirms that the fund balance will be more than sufficient

to reimburse companies for assistance credits provided, as well as maintain an adequate balance for unexpected occurrences. The estimated balance for the end-of-year 2021 is projected to be \$776,439.

STAFF ANALYSIS AND FUNDING RECOMMENDATION

Staff has reviewed the 2020 annual report, the proposed 2021 budget, and the funding recommendation. Staff agrees with the Administrator's assessment and supports the Administrator's recommendation to continue suspending the surcharge rates for all wireline and wireless access lines for another year. Staff believes the fund balance will be sufficient to meet the 2021 expenses as well as provide for any unforeseen changes to the number of ITSAP recipients. Thus, Staff recommends that the Commission approve the Administrator's 2021 budget and approve the recommendation to suspend the surcharge rates for calendar year 2021. Staff also recommends the Commission direct all companies to report access line counts to the administrator while the surcharge is suspended. Staff and the Administrator will continue to monitor the number of recipients and make changes if needed if participation continues to increase.

COMMISSION DECISION

1. Does the Commission wish to accept the 2020 annual report and adopt the Administrator's 2021 budget?
2. Does the Commission wish to adopt the Administrator's recommendation to continue suspending the ITSAP assessments for another year?
3. Does the Commission wish to direct all companies to report access line counts to the administrator while the surcharge is suspended?



Daniel Klein