

DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSION HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
LEGAL

FROM: JOHAN E. KALALA-KASANDA
DAYN HARDIE

DATE: APRIL 25, 2023

RE: 2022 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM (“ITSAP”) ANNUAL REPORT; CASE NO. GNR-T-23-03.

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 (“IDHW”) administers the program and grants limited federal “lifeline” contributions to Idaho’s low-income customers. *Idaho Code* § 56-901(1). Idaho telephone companies assist in the form of a monthly discount of \$2.50 to eligible subscribers. *Idaho Code* § 56-902(1). To be eligible for 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 IDHW. *Idaho Code* § 56-903(1). To be eligible to receive reimbursement for providing low-income benefits (ITSAP and 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).

In 2012, IDHW introduced legislation amending *Idaho Code* §56-902. The legislation reduced the amount of the monthly ITSAP assistance credit from \$3.50 to \$2.50. The ITSAP

surcharge rate remained suspended during 2022, and no gross or net surcharge revenue was collected or deposited during the year ending December 31, 2022.

THE 2022 ANNUAL REPORT

On February 15, 2023, the Commission received the annual ITSAP report. In the report, as illustrated herein in Table No. 1 below, the Program Administrator, Kathleen Toohill, reported an 11% decrease in local access lines compared to a decrease of 6% in the previous year 2021. The wireless access lines increased by 11% compared to a 1% decrease in the year 2021. The number of ITSAP credit recipients in 2022 was 80,604, a decrease of 29% compared to the 113,880 reported in the previous year. The gross surcharge revenue for the year was reported at \$0 since the surcharge is suspended.

Table No. 1: ITSAP Trend of Reported Monthly Data

Years	Year 1: 2018	Year 2: 2019	Year 3: 2020	Year 4: 2021		Year 5: 2022	
Local Access Lines	Amount	Amount	Amount	Amount	% Change	Amount	% Change
Residential	1,525,716	1,302,666	1,198,146	1,003,491		976,314	
Business	1,414,148	1,288,214	888,994	964,291		769,421	
Total	2,939,864	2,590,880	2,087,140	1,967,782	-6%	1,745,735	-11%
Wireless Access	3,722,983	3,651,576	2,543,252	2,523,243	-1%	2,797,830	11%
Credit Recipients	21,455	17,657	14,157	113,880	704%	80,604	-29%

The quarterly average number of wireline access lines reported to the Administrator was 244,079 for residential lines, 192,355 for business lines, and the quarterly average number of wireless access lines reported was 699,458. There is a lag in receiving reports for quarter 4 lines due to some companies reporting quarterly and monthly up to 2-3 months behind, leading to a rise in lines for Q1 of the subsequent year. Companies report monthly, quarterly, and even annually,

hence the provision of quarterly averages. Additionally, these numbers are underreported 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 2022 was 6,725 recipients or 80,692 per year. This is a decrease from the 9,446 per month, or 113,600 per year, reported in 2021. Telecommunications companies received \$201,731 in disbursements for ITSAP credits paid to eligible recipients compared to the \$284,000 that was reported in 2021. Disbursements for company administrative costs of the program were \$24,975, a decrease from the \$34,998 reported in 2021.

During 2022, ITSAP reimbursed companies for net monthly discounts provided to eligible subscribers and costs of administering the program, so checks were written in the total amount of \$226,318.89. The Administrator's fees and expenses were \$9,084 for the year. The fund's cash balance at the end of the year was reported at \$603,651.

2023 BUDGET AND TRENDS

The ITSAP Administrator projects that the funding requirements for 2023 will increase. There have been several new companies that have been granted access to participate in the ITSAP program. The Administrator estimates the ITSAP disbursements at approximately \$235,000, including the ITSAP Administrator projected expenses of \$9,143.20.

To establish the 2023 budget, the Administrator estimates that the number of access lines subject to the surcharge will be approximately 370,508 per month and the average number of ITSAP recipients will amount to approximately 6,725 per month or 80,700 per year. Based on this data, the ITSAP Administrator, Ms. Toohill, projects the funding requirement for 2023 will be approximately \$235,000 and the end-of-year 2023 balance is expected to be \$335,000.

ADMINISTRATOR'S 2023 FUNDING RECOMMENDATIONS

Ms. Toohill represents that, during 2022, there were significant numbers of credit recipients. Even with the increased participation, Ms. Toohill recommends that the surcharge rate continue to be suspended for an additional year, but that all companies must report access lines to her during this period. Ms. Toohill confirms that the fund balance should prove sufficient for another year of the projected credit recipients, company administrative costs, and fund administration with about \$235,000 estimated for the 2023 budget. The estimated balance for the

end-of-year 2023 is projected to be \$335,000 with approximately 6,725 credit recipients estimated per month (or 80,700 for the whole year) and the related fund administration costs.

STAFF ANALYSIS AND FUNDING RECOMMENDATION

Staff reviewed the 2022 annual report of the ITSAP, the proposed 2023 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 2023 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 2023 budget and approve the recommendation to suspend the surcharge rates for the calendar year 2023. Additionally, Staff recommends the Commission direct all companies to report access line counts to the administrator while the surcharge rates are 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 2022 ITSAP annual report and adopt the Administrator's 2023 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?



Johan E. Kalala-Kasanda