DECISION MEMORANDUM

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

FROM: GRACE SEAMAN

DATE: MARCH 24, 2016

RE: **2015 IDAHO TELEPHONE SERVICE ASSISTANCE PROGRAM ANNUAL REPORT; CASE NO. GNR-T-16-03**

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. 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 2015 ANNUAL REPORT

In the annual report filed on March 3, 2016, the ITSAP Administrator, Alyson Anderson, reported an increase in wireline access lines of 2%, an increase in wireless lines (6%), and a

significant decrease in the number of ITSAP recipients by 37% from the previous year. The ITSAP reimbursements continued to drop in 2015 due to the withdrawal of ETC wireless service providers and to the annual database reconciliation. The gross surcharge revenue for the year was reported at $491,398 of which $124,936 (25%) was assessed on wireline services and $366,462 (75%) was assessed on wireless services. The Administrator explains that ETCs remit net surcharge revenue, which is gross surcharge revenue less any assistance credits provided to eligible recipients and the ETC's administrative costs. Thus, net surcharge revenue collected and deposited in 2015 totaled $398,971.

The average number of wireline access lines per month reported to the Administrator was 435,822 compared to 427,065 in 2014, and the average number of wireless access lines per month was 1,414,763 compared to 1,329,112 in 2014. Overall, there was an increase of approximately 94,400 in the total number of average monthly lines subject to the ITSAP surcharge (1,850,584 lines per month compared to 1,756,177 in 2014).

The average number of reported ITSAP recipients per month in 2015 (6,693) decreased by 37% from 2014 (10,674). Telecommunications companies received $226,245 in disbursements for ITSAP credits paid to eligible recipients compared to $365,725 in 2014. Disbursements for company administrative costs were $33,089, a decrease from 2014 ($51,979).

The Administrator's fees and expenses were $18,011 for the year. The fund's cash balance at the end of the year was reported at $1,278,348.

2016 BUDGET AND TRENDS

The ITSAP Administrator projects the funding requirements for 2016 will continue to decrease. The Administrator estimates that the ITSAP recipient reimbursements to the companies for 2016 will be approximately $148,230, and expenses are projected to be $38,950 for costs associated with administration of the program—this includes the Administrator's costs ($11,900) and the telephone companies' administrative costs ($27,050).

To establish the 2016 budget, the Administrator estimates that the number of access lines subject to the surcharge will be approximately 1,736,347 per month and the average number of ITSAP recipients will be approximately 5,121 per month. Based on this data, Ms. Anderson projects the funding requirement for 2016 will be approximately $208,361.

ADMINISTRATOR'S 2016 FUNDING RECOMMENDATIONS

Ms. Anderson states that there was another significant drop in credit recipients during 2015 while the surcharge revenue increased. The surcharge rate was reduced in 2015 to $0.01 per access line. The Administrator believes it is impractical to reduce the surcharge rate below $0.01 and, therefore, recommends the rate be maintained at $0.01 per wireline and wireless access line. The Administrator states that at this rate, 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 2016 is projected to be approximately $1,090,000.

STAFF ANALYSIS AND FUNDING RECOMMENDATION

Staff has reviewed the 2015 annual report, the proposed 2016 budget, and the 2016 funding recommendation. Staff agrees with the Administrator's assessment that reducing the rate is impractical and, therefore, supports the recommendation to maintain the surcharge rate at $0.01 per access line. In addition, 2016 changes by the Department of Health and Welfare in the ITSAP enrollment process may encourage other wireless Lifeline-only ETCs to receive ITSAP assistance credit by participating in the program. Staff believes this rate will maintain an adequate fund balance as well as provide sufficient funding for any unanticipated changes in the program. Thus, Staff recommends that the Commission approve the Administrator's rate proposal and the 2016 budget.

COMMISSION DECISION

1. Does the Commission wish to accept the 2015 annual report and adopt the Administrator's 2016 budget?

2. Does the Commission wish to adopt the Administrator's recommendation to maintain the monthly ITSAP surcharge rate at $0.01 per access line?

Grace Seaman

Udememos/2015 ITSAP Annual Report