



Staff Briefing Papers

Meeting Date January 8, 2026 Agenda Item 1 *

Company All Local Exchange Carriers

Docket No. P999/CI-25-355

In the Matter of Telephone Assistance Plan (TAP) Review

Issues Should the Commission accept the Telephone Assistance Plan (TAP) Fund Review submitted on October 15, 2025, for the Six-Month Period Ending June 30, 2025?

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Relevant Documents	Date
Report-Telephone Assistance Plan (TAP) January 1, 2025, through June 30, 2025	October 15, 2025
Comments of the Minnesota Telecom Alliance (MTA)	October 22, 2025
Comments of the Minnesota Department of Commerce	November 19, 2025
Comments of the Minnesota Department of Commerce Spreadsheet Attachment A	November 19, 2025

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I. Statement of the Issues

1. Should the Commission accept the Telephone Assistance Plan (TAP) Fund Review submitted on October 15, 2025, for the Six-Month Period Ending June 30, 2025?
2. Should the Commission take action to reduce the surplus in the fund, such as reducing the TAP surcharge to \$0?

II. Background

The Telephone Assistance Plan (TAP) is a state program that gives financial support to eligible telephone subscribers through discounts or bill credits, currently at \$10.00 per month. TAP is funded through a monthly surcharge, currently at \$0.03 per month, collected by local service providers on a per-access-line basis from their customers.^{1,2}

Local service providers remit surcharge revenues to the Department of Public Safety, which deposits the funds into the state TAP Fund. Under Minn. Stat. §§ 237.69 -71, the Commission administers the TAP program, reimbursing local service providers for credits issued to subscribers and for reasonable administrative expenses.

TAP complements the similar federal Lifeline program which gives a corresponding monthly credit up to \$9.25 to eligible subscribers³ (\$34.25 on tribal lands)^{4,5}. Lifeline is the low-income component of the federal Universal Service Fund, funded through contributions from Eligible Telecommunications Carriers (ETCs) and which are passed on to their eligible customers. By law, TAP eligibility is identical to Lifeline's. (See Minn. Stat. § 237.70, subd.3)

¹ On January 22, 2021, the Commission issued its Order Modifying Monthly TAP Program Credit and Surcharge and Reconvening Advisory Group in Docket No. P999/CI-20-665. In that Order, the TAP credit increased from \$7.00 to \$10.00 per month. The monthly TAP surcharge, which funds the TAP program, decreased from \$.10 to \$.07 per access line, to be effective on April 1, 2021.

² In an Order dated December 20, 2021, in Docket No. P-999/CI-21-72, the Commission maintained the TAP credit at \$10.00 per month and the surcharge at \$0.07 per line per month through 2022. Likewise, in an Order dated December 29, 2022, the Commission reduced the monthly per access line surcharge from \$0.07 to \$0.03.

³ Eligible consumers can get up to \$9.25 towards phone or internet services.

⁴ Tribal Lands Lifeline provides a monthly discount of up to \$34.25 off the cost of one telephone service, broadband Internet service, or bundled services (either wireline or wireless). This discount is up to \$9.25 (which is available to all eligible low-income subscribers across the United States) plus up to an additional \$25 (which is available only to eligible low-income subscribers living on Tribal lands).

⁵ On July 1, 2025, the Wireline Competition Bureau (Bureau) extended, for one year, the pause of the phase-out of Lifeline support for voice-only services. As such, the basic Lifeline support of \$5.25 remains available to eligible consumers who subscribe to voice-only service until November 30, 2026.

The Commission is also charged with determining both the amount of the credit and the amount of the surcharge, subject to statutory maximums. (See Minn. Stat. § 237.70, subd. 7 (d) (1) and (2)). Commission rules require it to examine credit and surcharge levels at least annually (See Minn. R. 7817.0500) and authorize it to adjust those levels at any point on a 45 days' notice. (See Minn. R. 7817.0700)

On October 15, 2025, the Commission's TAP Administrator filed the TAP Fund Review covering the six-month period ending on June 30, 2025.

On October 21, 2025, the Commission issued a Notice of Comment period on the TAP budget.

On October 22, 2025, comments were filed by the Minnesota Telecom Alliance (MTA).

On November 19, 2025, Comments on the TAP budget were filed by the Minnesota Department of Commerce (Department).

III. Comments

A. Should the Commission accept the Telephone Assistance Plan (TAP) Fund Review, submitted on October 15, 2025, for the six-month period ending June 30, 2025?

Department

The Department reviewed a Commission Memorandum prepared by Commission staff for the six-month period ending on June 30, 2025, and issued on October 14, 2025. The data contained in the memorandum was used by the Department in preparing Attachment A, which estimates the impact on the fund balance through the end of the current fiscal year of various levels of TAP surcharges, assuming the TAP credit of \$10.00 is maintained. The estimates included in the spreadsheet do not account for monthly variations in TAP subscribership, variances between the dates on which carriers collect TAP fees from landline customers and the dates that carriers remit TAP funds to the Minnesota Department of Public Safety, and the dates on which the carrier remittances are placed in the TAP Fund. While the spreadsheet has limitations, it indicates that the fund balance will be reduced over the next year if no increase is made to the existing TAP surcharge. The Department recommends that the Commission accept the October 15, 2025, Memorandum on the TAP Fund for the six-month period ending on June 30, 2025.⁶

Minnesota Telecom Alliance (MTA)

⁶ Please see Department November 19, 2025, comments at page 3.

MTA supports the Commission's acceptance of the TAP Fund Review as submitted. The report provides a clear and accurate accounting of the fund's activity and balance, and the MTA appreciates the transparency and diligence reflected in its preparation.⁷

B. Should the Commission take action to reduce the surplus in the fund, such as reducing the TAP surcharge to \$0?

Department

The Department indicated Attachment A shows that the TAP Fund balance was approximately \$3.20 million as of June 30, 2024. The current balance as of June 30, 2025, is approximately \$3.12 million, which represents a \$82,906 decrease in available funds (or a 2.6% decrease). The level of the Fund balance may support a further a reduction in the TAP surcharge. Even with a \$0.00 surcharge, the TAP Fund balance is projected to significantly exceed the threshold level necessary to cover the projected credits and expenses of administering the TAP fund. If no changes are made to the TAP surcharge and credit, the fund balance will likely decline by approximately \$139,408 by June 30, 2026. According to the Department's estimates, the TAP fund balance would increase through the end of the current fiscal year if the TAP surcharge is increased anywhere from \$.04 to \$.10 per month.

Through the end of the current fiscal year, the TAP fund balance will increase due to the estimated interest accrued by the fund even though the applicable interest rate on the TAP fund balance has declined recently. At the current TAP surcharge and credit, the interest earned on the TAP fund balance during the fiscal year ending in June 2025 to the June 2026 fiscal year has declined to \$139,479. This change represents a 12.9% decrease in annual interest payments.

Administrative and other expenses have been relatively constant in recent years. For fiscal years 2024 and 2025, administrative expenses range between 5% and 6 % of total expenditures. The Department has no concerns with the calculations of administrative and other expenses in the Commission staff's TAP memo of October 14, 2025, for the six-month period ending June 30, 2025.

The balance in the TAP Fund is significant enough to sustain approximately three years' worth of TAP credits at the existing TAP subscribership level, with no TAP surcharge, while maintaining a reasonable TAP fund balance. The Commission was faced with this same situation in Docket P999/CI-22-478 and ordered a reduction in the TAP surcharge from \$.07 per line to \$.03 per line in its December 29, 2022, Order. The reduction in the TAP surcharge to \$.03 per line went into effect on April 1, 2023.

⁷ Please see Minnesota Telecom Alliance (MTA) October 22, 2025, comments at page 1.

Ideally, the combination of TAP credit and surcharge should result in a stable fund balance, but given the size of the current fund balance, consideration could be given to further decreases in the surcharge. The projected TAP fund balance is expected to drop marginally by June 30, 2026, if the current credit and surcharge levels are maintained. However, given the significant balance in the TAP fund, the Department believes the TAP program could both maintain liquidity and reduce the fund balance by continuing to apply the current TAP credit of \$10 per month and simultaneously reducing the TAP surcharge.

While the TAP fund could sustain the existing subscribership for three years with no further contributions, the Department believes that maintaining a de minimus contribution is prudent due to the changing telecommunications environment. The existing statutory language states that the TAP benefit applies only to access lines to the switched telecommunications network ("Plain Old Telephone Service" or POTS). Voice over Internet Protocol (VoIP) is quickly replacing POTS across the state, indicating that fewer people will be eligible for TAP regardless of need. VoIP service requires an internet connection in addition to the cost of the voice service; people who use POTS and do not maintain an internet connection will need to pay for two services rather than one, which may increase their telecommunications costs. As a result, the number of people who need the benefit will remain the same or increase. The Minnesota State Legislature may consider expanding access to the TAP benefit in the future by updating program eligibility to VoIP service. If eligibility expands, so will the demand for the benefit and the current surplus may be quickly depleted.

Additionally, providers currently have billing processes in place and, should the surcharge be eliminated now but need to be reinstated in the future, the potential for disruption could jeopardize the TAP program. While Minn. R. 7817.0700 describes the adjustment process of the surcharge and credits, there is no administrative direction for reducing the surcharge to \$0.00.

To preserve the fund and the processes providers use to collect the surcharge, the Department recommends preserving the TAP surcharge, but reducing it from \$0.03 to a de minimus amount of \$0.005.⁸

MTA

MTA indicated that it supports Commission action to reduce the current surplus in the TAP fund. Specifically, the MTA recommends reducing the TAP surcharge to \$0. Based on the fund's current balance and projected disbursements, this adjustment is both fiscally responsible and consistent with the Commission's longstanding commitment to ratepayer fairness. Temporarily suspending the surcharge will allow the fund to draw down its surplus while continuing to meet program obligations.⁹

⁸ Please see Department November 19, 2025, comments at pages 3-5.

⁹ Please see Minnesota Telecom Alliance (MTA) October 22, 2025, comments at page 1.

IV. Staff Analysis

TAP Credit and Surcharge Levels

As part of their comments in this docket, the Department filed a spreadsheet providing various surcharge levels and a \$10 TAP credit.¹⁰ Staff highlights just a few of those scenarios with a \$10 credit assumed on a going-forward basis. The Table below provides the various surcharge levels, annual surcharge revenue, and monthly credit amounts projected for 6/30/2025 to 6/30/2026:

Surcharge Amount	Projected Annual Surcharge Revenue	Monthly Credit July 2025 to June 2026	Annual Projected Credits	Fund Balance	
				6/30/2025 (Actual)	6/30/2026 (Projected) ¹¹
6/30/2026					
\$0.10	\$ 969,224	\$10.00	\$ 454,320	\$3,116,651	\$ 3,764,195
\$0.09	\$ 872,301	\$10.00	\$ 454,320	\$3,116,651	\$ 3,665,000
\$0.08	\$ 775,379	\$10.00	\$ 454,320	\$3,116,651	\$ 3,565,805
\$0.07	\$ 678,457	\$10.00	\$ 454,320	\$3,116,651	\$ 3,466,610
\$0.06	\$ 581,534	\$10.00	\$ 454,320	\$3,116,651	\$ 3,367,415
\$0.05	\$ 484,612	\$10.00	\$ 454,320	\$3,116,651	\$ 3,268,219
\$0.04	\$ 387,689	\$10.00	\$ 454,320	\$3,116,651	\$ 3,169,024
\$0.03	\$ 290,767	\$10.00	\$ 454,320	\$3,116,651	\$ 3,069,829
\$0.02	\$ 319,704	\$10.00	\$ 454,320	\$3,116,651	\$ 2,970,634
\$0.01	\$ 96,922	\$10.00	\$ 454,320	\$3,116,651	\$ 2,871,439
\$0.005	\$ 48,461	\$10.00	\$ 454,320	\$3,116,651	\$ 2,822,341
\$0.00	\$ 00,000	\$10.00	\$ 454,320	\$3,116,651	\$ 2,773,243

As was discussed by the Department, the TAP fund balance is significant enough to sustain approximately three years' worth of TAP credits, at the current subscribership level, with no TAP surcharge while maintaining a reasonable TAP fund balance. At the present time, if the Commission wishes to reduce the TAP fund balance, a reduction in the surcharge appears to be

¹⁰ The DOC's analysis assumes that the number of funding access lines will range between 818,489 (6/30/2025) and 796,884 (6/30/2026), and the number of TAP subscribers will remain constant at 3,786.

¹¹ The projected balance includes surcharge revenue plus annual interest accrued on the fund balance ranging from \$134,930 to \$157,659 depending on the size of the fund balance.

the most practical method of accomplishing that goal.¹² However, if no changes are made, it is estimated that the fund balance will decline by \$139,408 by June 30, 2026. The parties agree the Commission should maintain the TAP credit at \$10.00. However, there is a difference on the level of the surcharge. The Department recommends that the surcharge be reduced to what the Department considers to be a de minimus amount of \$0.005 per line per month. The MTA recommends that the TAP surcharge should be reduced to \$0.00.

Minn Rules § 7810.0700 provides the Commission significant latitude on the level of the surcharge subject to a maximum of 10¢ per line per month. Minn Rules § 7810.0700 states the following:

7817.0700 ADJUSTMENT TO LEVEL OF SURCHARGE AND CREDITS.

When it appears to the commission that the revenue generated by the maximum level of surcharge permitted under part [7817.0300](#) will be inadequate to fund a particular level of telephone assistance credits, the commission by official order and on 30 days' notice to the local service providers, shall reduce the credits to a level that can be adequately funded by the maximum level of surcharge. Similarly, the commission by official order and on 30 days' notice to the local service providers, may increase the level of the telephone assistance credits that are available or reduce the surcharge to a level and for a period of time that will prevent an unreasonable overcollection of surcharge revenues.

Staff believes that until and unless the legislature modifies TAP to include other services, minimizing the surcharge to the lowest possible amount in order to maintain the fund balance to the lowest practicable level is a prudent course of action.

¹² In the 2021 TAP budget review, Docket No. P999/CI-21-72, the MTA informed the Commission that for companies that participate in the Connect America Fund Basic Loop Support (CAF-BLS), they must have local service rates at or above \$30 per month to maintain program support eligibility. As the state TAP subsidy increases, it can act to lower the Access Recovery Charge (ARC) calculation below \$30. Somewhat ironically, the affected LECs will then be required to increase local rates to maintain a rate at or above \$30. While this amount will vary by company the somewhat rigorous customer notice requirements for LEC rate increases in Chapter 237 will be triggered, quite often to reflect nominal rate increases of only a few cents. Reply comments of the Minnesota Telecom Alliance at page 1 in Docket No. P999/CI-21-72.

V. Decision Options

A. Should the Commission accept the Telephone Assistance Plan (TAP) Fund Review, submitted on October 15, 2025, for the six-month period ending June 30, 2025?

1. Accept the October 15, 2025, Memorandum on the TAP Fund for the six-month period ending on June 30, 2025. **OR**
2. Do not accept the October 15, 2025, Memorandum on the TAP Fund for the six-month period ending on June 30, 2025.

B. Should the Commission take action to reduce the surplus in the fund, such as reducing the TAP surcharge to \$0?

3. Maintain the current TAP Credit level of \$10.00 per line per month. (All Parties, Staff) **AND**
4. Maintain the current surcharge of \$0.03 per access line per month. **OR**
5. Reduce the surcharge to \$0.005 per access line per month and implement this reduction within 120 days of the Commission's Order in this matter. (Department) **OR**
6. Reduce the surcharge to \$0.00 per access line per month and implement this reduction within 120 days of the Commission's Order in this matter. (MTA)