

Staff Briefing Papers

Meeting Date December 16, 2021 Agenda Item 1*

Company Local Exchange Carriers

Docket No. **P999/CI-21-72**

In the Matter of Telephone Assistance Plan Review

Issues 1. Should the Commission accept the corrected Telephone Assistance Plan (TAP) Fund Review submitted on September 17, 2021 for the Six-Month Period Ending June 30, 2021?

2. Should the Commission modify the TAP Credit and Surcharge?

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Relevant Documents

Date

Corrected Report-Telephone Assistance Program TAP January through June 30 2021	September 17, 2021
Comments of the Minnesota Department of Commerce	October 7, 2021
Comments (Spreadsheet) of the Minnesota Department of Commerce-Attachment A	October 7, 2021
Reply Comments Minnesota Telecom Alliance	November 18, 2021

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Statement of the Issues

1. Should the Commission accept the corrected Telephone Assistance Plan (TAP) Fund Review submitted on September 17, 2021 for the Six-Month Period Ending June 30, 2021?
2. Should the Commission modify the TAP Credit and Surcharge?

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, now at \$0.07 per month, collected by local service providers on a per access line basis from their customers.¹

On January 15, 2019, the Minnesota Public Utilities Commission (Commission) issued its Order Setting TAP Credit Amount and Surcharge Level and Requiring Local Service Providers to Include TAP Information on Their Websites in Docket Nos. P999/CI-17-677 and P999/CI-18-112. In that Order, the Telephone Assistance Plan (TAP) credit increased from \$3.50 to \$7.00 per month. The monthly TAP surcharge, which funds the TAP program, increased from \$.03 to \$.10 per access line. The changes to the TAP credit and surcharge were implemented on July 1, 2019, or the first billing cycle thereafter.²

Prior to July 1, 2019, the TAP credit was \$3.50 and the surcharge was \$0.03. These amounts had been unchanged since 2013 when the surcharge was lowered from \$0.06 and the credit increased from \$2.50. 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.

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 The Commission maintained the credit and surcharge at those levels in its January 3, 2020 Order in Docket No. P-999/CI-19-359.

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)

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 30 days' notice. (See Minn. R. 7817.0700)

On August 30, 2021 the Commission's TAP Administrator filed the TAP Fund update covering the six-month period ending on June 30, 2021.

On September 7, 2021, the Commission issued a Notice of Comment period on the TAP budget.

On September 17, 2021 the Commission's TAP Administrator filed a corrected TAP Fund update covering the six-month period ending on June 30, 2021.

On October 7, 2021, Comments on the TAP budget were filed by the Minnesota Department of Commerce (Department).

On November 9, 2021, the Commission issued a Notice of Supplemental reply comment period.

On November 18, 2021, reply comments were filed by the Minnesota Telecom Alliance (MTA).

III. Parties' Comments

DOC: The Department prepared Attachment A to estimate the impact on the TAP fund with various levels of TAP surcharges. As the TAP fund balance exceeded \$3 million on July 1, 2021, which may support a further increase in the TAP credit and/or a reduction in the TAP surcharge.

³ Support for stand-alone voice decreased to \$7.25 on Dec. 1, 2019; \$5.25 by Dec. 1, 2020; and no support by Dec. 1, 2021, except in areas where there is only one Lifeline provider. In areas with only one Lifeline provider, there is continued voice support of \$5.25 per month. The monthly broadband support for eligible subscribers (broadband offerings that meet or exceed 4 Mbps download and 1 Mbps upload speeds) is \$9.25 per month.

⁴ Tribal Lands Lifeline provides a monthly discount of up to \$34.25 off the cost of 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 November 5, 2021, the Wireline Competition Bureau (Bureau) paused the phase-out of Lifeline support for voice-only services for one year. As such, the basic Lifeline support of \$5.25 remains available to eligible consumers who subscribe to voice-only service on and after December 1, 2021.

If no changes are made, it is estimated that the fund balance will decline by approximately \$365,000 by June 30, 2022. However, since the higher TAP credit of \$10 was not implemented until April 1, 2021, it may be too soon to know how TAP subscribership will be affected. In coordination with the higher credit, the Commission staff recently convened a meeting of the TAP-Lifeline Advisory Group and the participants are charged with considering ways to promote the TAP program to eligible customers. Thus, the full impact of the recent increase in the monthly TAP credit on the level of TAP subscribership, and on the TAP fund balance, may take additional time to become fully realized. Currently, the Department supports maintaining the TAP credit at \$10 and the monthly TAP surcharge at \$.07.⁶

In its October 22, 2020 Comments on the TAP credit and surcharge in Docket Nos. P999/CI-20-665, the Department discussed several recent factors that appear to be related to the significant drop in TAP subscribership in recent years. One of these factors was the FCC's decision to gradually eliminate Lifeline support for voice service. The Department discusses the phaseout of the Lifeline credit for voice service the Commission's possible response to that to mitigate the impact on the TAP program.⁷ Please see pages 2 and 3 of the Department's October 7, 2021 comments for further discussion.

The final phase of the FCC's gradual phase-out of Lifeline credits to eligible customers, who subscribe to voice service only, is set to occur on December 1, 2021.⁸ The impact of the FCC's decision will be most significant to voice-only Lifeline customers on tribal lands, which currently receive an additional monthly Lifeline benefit of \$25.00, or a total credit of \$30.25. As TAP supports only voice service, the Commission may wish to mitigate possible adverse effects to the TAP program that could result from Lifeline no longer supporting voice service by reminding companies of the following:

- 1) TAP program benefits remain available for voice service, even when the Lifeline benefit for voice has been eliminated, and is to be advertised no less than annually, as required by Minnesota Statute section 237.70, subdivision 7 (b) (c) and Minnesota Rules parts 7817.0300, subpart 5.B.4 and 7817.0400, subpart 1.
- 2) A TAP-only application is available on the Commission's website and each company should have a link on its website to the TAP-only application.
- 3) TAP-only applications are to be submitted by the customer directly to the company. Each company is responsible for determining whether the customer applying for the TAP credit is eligible, based on the criteria identified on the application.
- 4) The Commission's June 8, 2018 Order Establishing Auto-enrollment, Use of National Application, and Delegation of Implementation Date in Docket No.

⁶ Please see page 2 of the Minnesota Department of Commerce's October 7, 2021 comments.

⁷ Please see pages 2 and 3 of the Department's October 7, 2021 comments for further discussion.

⁸ Please see footnote number 5.

P999/CI-18-223 requires the companies to automatically enroll customers in the TAP program if the customer subscribes to voice service and is being enrolled in the Lifeline program. This auto-enrollment in the TAP program for voice service is to continue, even though the customer's Lifeline benefit applies to broadband service.

- 5) A customer may obtain an eligibility determination to enroll in Lifeline from the National Verifier prior to the customer contacting the company. In the event a customer has been found by the National Verifier to be eligible for Lifeline, that determination may be accepted by the company to enroll the customer in the TAP program if the customer wishes to subscribe to a voice service, independent of whether the customer also subscribes to a broadband service and receives the Lifeline benefit.

MTA

The MTA does not object to the Department of Commerce's comments and recommendations as filed on October 7, 2021. The MTA agree that the TAP credit and surcharge are appropriate. The MTA has no issues with the five recommended reminders for carriers.

Additionally, the MTA pointed out that while not directly affected by implementation of the Department's current recommendations, the MTA would like the Commission to be aware going forward, that as decisions get made on appropriate levels of support for Minnesota TAP customers, implementation of these changes can have perhaps unintended and counterintuitive regulatory effects on Minnesota's Local Exchange Companies (LEC's) and their customers.

Specifically, 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.

IV. Staff Analysis

TAP Credit and Surcharge Levels

As part of their comments in this docket, the DOC filed a spreadsheet providing a multitude of scenarios regarding the levels of the credit and surcharge.⁹ Staff would like to highlight just a few of those scenarios with a \$10 credit assumed on a going forward basis. The Table below

⁹ The DOC's analysis assumes that the number of funding access lines will range between 1,312,215 (6/30/2021) and 1,284,658 (6/30/2022), and the number of TAP subscribers will remain constant at 11,967.

provides the various surcharge levels, annual surcharge revenue, monthly credit amounts 6/30/2021 to 6/30/2022, and 6/30/2021 to 6/30/2022 :

Surcharge Amount	Annual Surcharge Revenue	Monthly Credit July 2021 to June 2022	Annual Projected Credits	Projected Fund Balance	
				6/30/2021	6/30/2022
\$0.10	\$ 1,321,925	\$10.00	\$1,436,040	3,032,804	\$2,900,815
\$0.09	\$ 1,244,846	\$10.00	\$1,436,040	3,032,804	\$2,823,624
\$0.08	\$ 1,167,766	\$10.00	\$1,436,040	3,032,804	\$2,746,434
\$0.07	\$ 1,090,687	\$10.00	\$1,436,040	3,032,804	\$2,669,243
\$0.06	\$ 1,013,607	\$10.00	\$1,436,040	3,032,804	\$2,592,052
\$0.05	\$ 936,528	\$10.00	\$1,436,040	3,032,804	\$2,514,861
\$0.04	\$ 859,448	\$10.00	\$1,436,040	3,032,804	\$2,437,670
\$0.03	\$ 782,369	\$10.00	\$1,436,040	3,032,804	\$2,360,479
\$0.02	\$ 705,289	\$10.00	\$1,436,040	3,032,804	\$2,283,289
\$0.01	\$ 628,210	\$10.00	\$1,436,040	3,032,804	\$2,206,098

As was discussed by the Department, the TAP fund balance exceeded \$3 million on July 1, 2021. This may support a further increase in the TAP credit and/or a reduction in the TAP surcharge. However, if no changes are made, it is estimated that the fund balance will decline by approximately \$365,000 by June 30, 2022. Since the higher TAP credit of \$10 was not implemented until April 1, 2021, it may be too soon to know how TAP subscribership will be affected. As such, the most prudent action may be to leave the TAP credit and surcharge at \$10 and \$0.07 respectively.

TAP Voice Only Reminders

Staff agrees with both the MTA and the Department that the five reminders be given to the companies in the event of the federal Lifeline program completely phases-out Lifeline credits to eligible voice only customers. This may provide eligible TAP subscribers the necessary information to prepare for the ultimate phase-out of the Lifeline voice-only benefit.

As was pointed out earlier the FCC's Wireline Competition Bureau paused the phase-out of Lifeline support for voice-only services for one year. As such, the basic Lifeline support of \$5.25 remains available to eligible consumers who subscribe to voice-only service on and after December 21, 2021.

Outreach Funding

On August 6, 2019, the Commission issued an Order Accepting TAP Fund Review and Approving Outreach Expenditure in Docket No. P-999/CI-18-112 (August 6, 2019 Order). In that Order, the Commission approved a proposal developed by the Commission's Consumer Affairs Office (CAO) that it presented to the TAP/Lifeline Advisory Group. The Advisory Group affirmed the direction of the outreach plan as well as a \$50,000 budget to implement the proposal. The order directed the money was to be spent by 6/30/2020.

The proposal would improve public awareness of the TAP and Lifeline programs through two broad approaches, one focusing on contact with key government agencies to reach qualified Minnesota residents, and the other focusing on contact with telecom providers. The proposal would require development of training materials as well as communication materials.

The CAO spent \$13,040 of the \$50,000 between August 2019 and June 30, 2020. The amount of \$36,960 was returned to the TAP Fund.

Funds were spent to advertise TAP and Lifeline on Metro Transit (\$10,080), the Senior's Blue Book (\$1,800) and the Senior Housing Directory (\$1,160). A contract was also drafted for a Public Service Announcement, interview, and advertising on Radio Station KMOJ FM (\$1,500), but the contract was not funded, nor has it been signed.¹⁰

The TAP Advisory Group met on 9/17/2021 and was asked to consider a TAP Advisory Group budget sponsored mailing of an outreach letter to all landline customers - a targeted communication to all landline subscribers in Minnesota to inform them of the program. The group agreed this would be a good plan to reach TAP eligible customers, but the group was told that the funds appropriated in 2019 were returned to the TAP Fund. As such, CAO is requesting that the balance of \$36,960 be restored until the end of the current fiscal year (6/30/2022).

¹⁰ The KMOJ money was not spent. The total amount returned to the TAP fund on 6/30/2020 was \$36,960.

V. Decision Options

Should the Commission accept the corrected Telephone Assistance Plan (TAP) Fund Review Submitted on September 17, 2021 for the Six-Month Period Ending June 30, 2021?

1. Accept the corrected TAP Fund review submitted on September 17, 2021 for the six-month period ending June 30, 2021 (All Parties). OR;
2. Do not accept the corrected TAP Fund review submitted on September 17, 2021 for the six-month period ending June 30, 2021.

Should the Commission modify the TAP Credit and Surcharge?

3. Maintain the current TAP credit and surcharge levels (all parties). OR;
4. Modify the monthly TAP credit to some other level per household and modify the monthly TAP surcharge to some other level per line.

Should the Commission remind the companies of the following given that TAP is a voice only benefit as highlighted by the Department?

5. Remind the companies of the following: (all parties) OR;
 - a. TAP program benefits remain available for voice service, even when the Lifeline benefit for voice has been eliminated, and is to be advertised no less than annually, as required by Minnesota Statute section 237.70, subdivision 7 (b) (c) and Minnesota Rules parts 7817.0300, subpart 5.B.4 and 7817.0400, subpart 1.
 - b. A TAP-only application is available on the Commission's website and each company should have a link on its website to the TAP-only application.
 - c. TAP-only applications are to be submitted by the customer directly to the company. Each company is responsible for determining whether the customer applying for the TAP credit is eligible, based on the criteria identified on the application.
 - d. The Commission's June 8, 2018 Order Establishing Auto-enrollment, Use of National Application, and Delegation of Implementation Date in Docket No. P999/CI-18-223 requires the companies to automatically enroll customers in the TAP program if the customer subscribes to voice

service and is being enrolled in the Lifeline program. This auto-enrollment in the TAP program for voice service is to continue, even though the customer's Lifeline benefit applies to broadband service.

- e. A customer may obtain an eligibility determination to enroll in Lifeline from the National Verifier prior to the customer contacting the company. In the event a customer has been found by the National Verifier to be eligible for Lifeline, that determination may be accepted by the company to enroll the customer in the TAP program if the customer wishes to subscribe to a voice service, independent of whether the customer also subscribes to a broadband service and receives the Lifeline benefit.

6. Take other action as the Commission deems appropriate. OR;

7. Take no further action.

Should the Commission restore the balance (\$36,960) of the \$50,000 TAP outreach budget first approved by the Commission in its August 6, 2019 Order in Docket No. P-999/CI-18-112?

8. Restore the \$36,960 balance until June 30, 2022. OR;

9. Do not restore the \$36,960 balance until June 30, 2022.