

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Proposed Modifications to the )  
Missouri Universal Service Fund )

**Case No. TO-2019-0346**

**STAFF’S NOTICE**

**COMES NOW** the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Notice* in this matter hereby states:

1. The Commission opened this docket May 15, 2019, to permit Staff to review and make recommendations regarding the Missouri Universal Service Fund (“MoUSF”). The Commission issued an order on November 3, 2021, further suspending the MoUSF assessment until September 2022. In addition, the Commission directed Staff to file updated fund financial information and an assessment recommendation no later than June 1, 2022. Staff presented its findings to the Commission May 25, 2022, and sought feedback based on its most recent review of the MoUSF. On June 24, 2022, the Missouri Internet and Television Association (“MCTA”) filed comments and the Missouri Small Telephone Company Group and the Missouri Independent Telephone Company Group filed joint comments.

2. In their filed comments, the MCTA opposes increasing the Missouri USF assessment beyond .0015. The MCTA also recommends MoUSF maintain a smaller fund balance, phase down Missouri USF support for Lifeline voice-only service, and evaluate what other states are doing to modernize their state universal service funds in order to provide the state Legislature alternatives. Staff’s Memorandum attached here as Appendix A analyzes these recommendations.

**WHEREFORE**, Staff prays that the Commission will accept its *Notice* and grant such other and further relief as the Commission considers just in the circumstances.

**/s/ Ron Irving**

Ron Irving  
Senior Staff Counsel  
Missouri Bar No. 56147  
Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-8702 (Telephone)  
(573) 751-9285 (Fax)  
[ron.irving@psc.mo.gov](mailto:ron.irving@psc.mo.gov)

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 2<sup>nd</sup> day of August, 2022, to all counsel of record.

**/s/ Ron Irving**

## MEMORANDUM

To: Official Case File  
Case No. TO-2019-0346

From: John Van Eschen, Regulatory Compliance Manager  
Kari Salsman, Senior Research/Data Analyst  
Telecommunications Department

Subject: Initial Analysis of MCTA additional recommendations

Date: August 2, 2022

On June 24, 2022 comments were filed by the Missouri Internet and Television Association (MCTA) and joint comments were filed by the Missouri Small Telephone Company Group and the Missouri Independent Telephone Company Group. The Missouri USF Board and the Missouri Commission subsequently approved extending the suspension of the Missouri USF assessment to December 31, 2022 and reinstating the assessment on January 1, 2023 at a level of .0015.<sup>1</sup> MCTA is opposed to increasing the assessment beyond .0015 and makes several additional recommendations. Staff is using this memo to provide some initial analysis to these additional recommendations so they can be better considered at a future date.

MCTA's makes three additional recommendations. (1) Maintain a smaller target fund balance. (2) Phase down Missouri USF support for Lifeline voice-only service. (3) Conduct an evaluation of what other states are doing to modernize their state universal service funds so that the state Legislature may consider alternatives. The remainder of this memo provides some input for these MCTA recommendations.

### **MCTA recommends maintaining a smaller fund balance.**

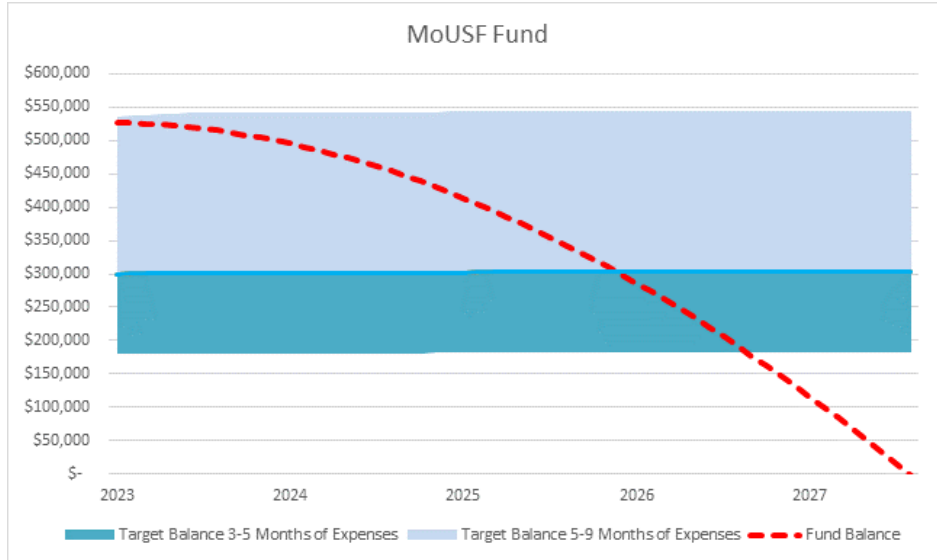
MCTA recommends the Board maintain a smaller fund balance whereby the fund balance is sufficient to cover 3 to 5 months of expenses rather than 5 to 9 months. To provide some background regarding the existing target balance range of 5 to 9 months the range was initiated in 2008 as a way to try and identify a reasonable range to target and maintain the Missouri USF fund balance. This range was approved by the Board after consulting with Board Staff and Central Bank officials who administer the Missouri USF as well as administer many other types of funds. The same 5-9 month target range is also being applied to the Relay Missouri Fund. Five months was selected as the minimum level of the range because it is viewed as the earliest time period the fund might begin

---

<sup>1</sup> The Board approved these two recommendations at the July 13, 2022 Missouri USF Board meeting. The Missouri Commission later formally issued an order on July 21, 2022 ordering both recommendations.

experiencing the impact of any change to the assessment.<sup>2</sup> This time period is likely greater than five months today since companies have broader remittance flexibility.<sup>3</sup>

The chart below shows Staff’s fund balance projections if the Missouri USF assessment is reinstated on January 1, 2023 at .0015 and Missouri USF support remains unchanged. Also shown on this chart are the existing target range and MCTA’s proposed target range.



Some obvious observations are the proposed target range has a shorter time frame for when the fund balance will be within the target range as well as when the fund balance dips below the minimum range level and \$0. If approved, maintaining a fund balance within lower and more compressed time periods will be challenging. Conceptually if the purpose of a target range is to identify preferred levels for a fund’s balance then the establishment of the minimum should provide sufficient time for the fund to experience an impact from an assessment increase. Fund impact may be somewhat uncertain for assessment changes but more predictable for changes in Missouri USF support. Consequently maintaining a lower fund balance may be easier if the sole solution for raising the fund’s balance is by decreasing Missouri USF support.

<sup>2</sup> This five month time period or a total of 150 days is based on providing companies with a minimum of 60 days’ notice of an assessment change per Missouri Commission rule 20 CSR 4240-31.011(2); 30 days for companies to bill the new Missouri USF surcharge per 20 CSR 4240-31.011(3)(B); 30 days to collect the new surcharge level and 30 days to remit the new Missouri USF surcharge revenue to the fund.

<sup>3</sup> For example in 2008 companies either remitted monthly or quarterly depending on a company’s net jurisdictional revenue. Companies now have given greater remittance flexibility including the ability for some companies to remit once a year.

On a practical basis the target range will be somewhat irrelevant for the next several years. Consequently Staff sees no need to immediately act on MCTA's proposal. The Board may find it more prudent to maintain the existing target range but simply try to accommodate MCTA's desire for a smaller fund balance. Including MCTA's desired 3-5 month target range in future fund balance projections is one way to try and further consider maintaining a smaller fund balance.

**MCTA recommends phasing down Lifeline voice-only support.**

MCTA recommends phasing out Missouri USF Lifeline voice-only support similar to how the FCC is phasing out this type of federal support. To briefly explain the status of the FCC's plan, the FCC announced a plan to eliminate the \$9.25 in federal support for Lifeline voice-only service.<sup>4</sup> This amount was reduced to \$7.25 on December 1, 2019 and then \$5.25 on December 1, 2020. The FCC intended to eliminate the remaining \$5.25 on December 1, 2021 in most areas but this part of the plan has been extended two different times with the current plan to eliminate this support on December 1, 2023.<sup>5</sup> At this time it remains uncertain whether the FCC will follow through with this plan. The FCC appears to be having second thoughts for the FCC has recently solicited comments on whether federal support should be eliminated for Lifeline voice-only service.<sup>6</sup>

MCTA provides a general recommendation to reduce Missouri USF support for Lifeline voice-only service if the Missouri USF assessment needs to be subsequently increased beyond .0015. If the Missouri USF assessment is reinstated at .0015 on January 1, 2023 and if Missouri USF support levels remain unchanged then the fund balance will continue to decline and be \$0 in mid-2027. Staff has attempted to analyze MCTA's recommendation by calculating when Missouri USF support will need to be reduced and by how much. In addition, Staff has attempted to perform similar calculations for variations or options to the general proposal to raise the fund balance by solely decreasing Missouri USF support levels. Listed below are some potential options and results for maintaining a fund balance within a 3-5 month target range by making Missouri USF support adjustments:

---

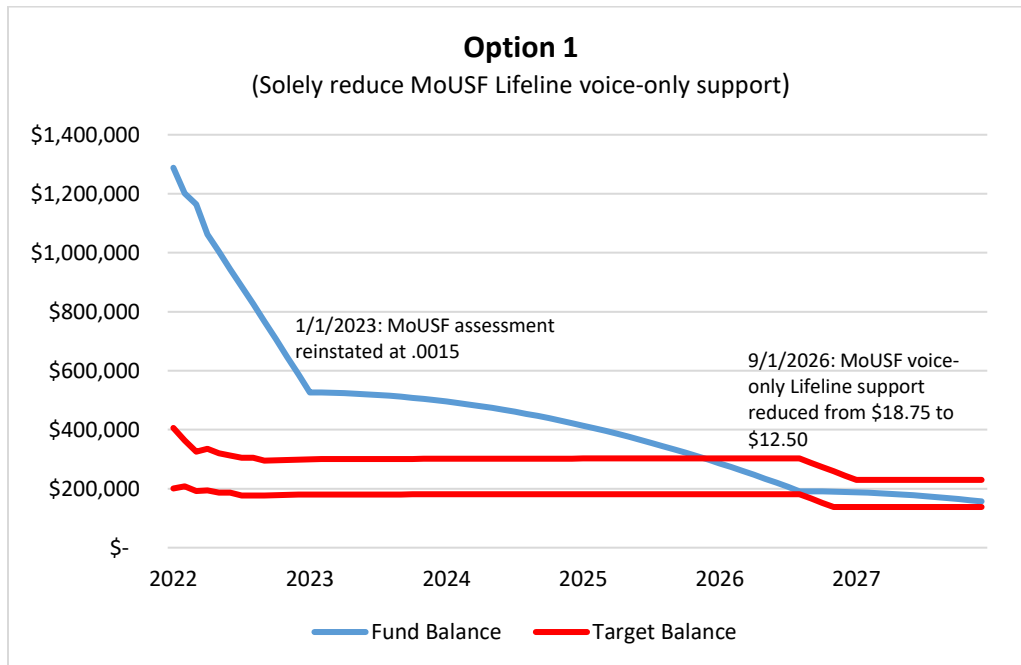
<sup>4</sup> Third Report and Order, Further Report and Order, and Order on Reconsideration. In the Matter of Lifeline and Link Up Reform and Modernization WC Docket No. 11-42, Telecommunications Carriers Eligible for Universal Service Support WC Docket No. 09-197; Connect America Fund WC Docket No. 10-90; FCC 16-38; released April 27, 2016; ¶117-122.

<sup>5</sup> Order; In the Matter of Lifeline and Link Up Reform and Modernization WC Docket No. 11-42, Telecommunications Carriers Eligible for Universal Service Support WC Docket No. 09-197; Connect America Fund WC Docket No. 10-90; DA 22-706; released July 1, 2022.

<sup>6</sup> Public Notice; Wireline Competition Bureau Seeks to Refresh the Record on a Petition for Reconsideration Filed By the National Association of State Utility Consumer Advocates; WC Docket No. 11-42; DA 21-641; released June 1, 2021.

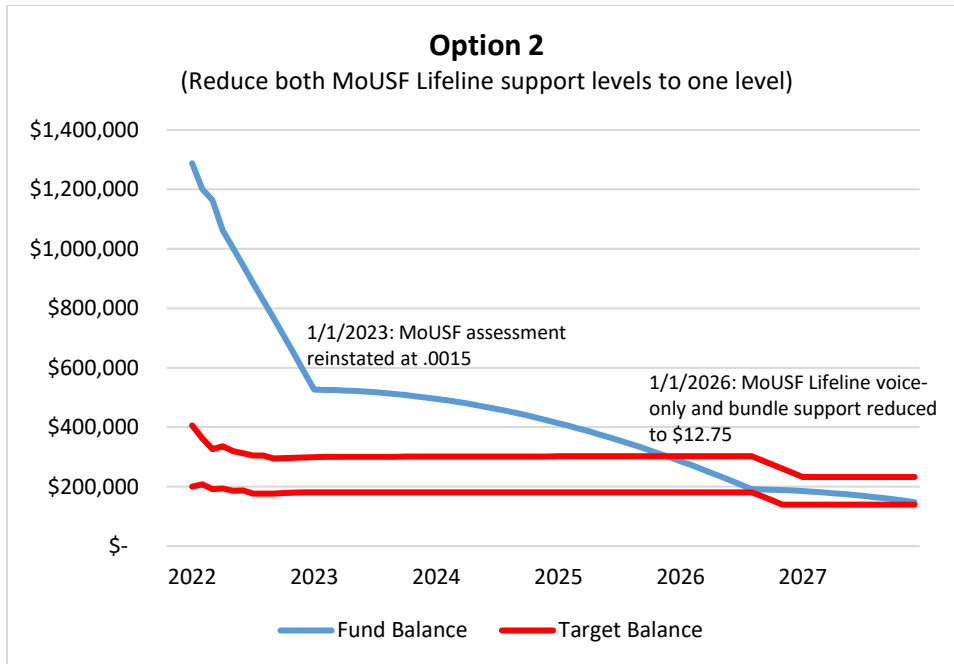
**Option 1 (Solely reduce Missouri USF support for Lifeline voice-only service):**

This option solely reduces Missouri USF support for Lifeline voice-only service in order to raise the fund balance and maintains Missouri USF support for Lifeline bundled service at \$14.75. Staff calculates the existing Missouri USF support for Lifeline voice-only service of 18.75 will need to be reduced to \$12.50 effective September 1, 2026. This reduction will allow the fund balance to remain within MCTA’s proposed target range of 3-5 months.



**Option 2 (Reduce both Missouri USF Lifeline support levels to one level):**

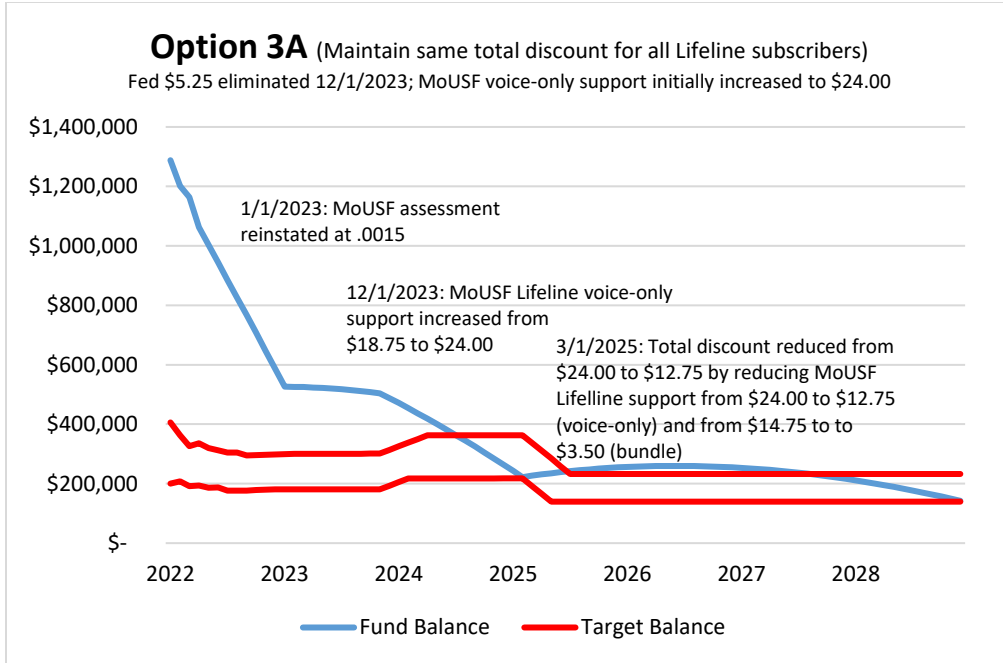
This option reduces the existing Missouri USF Lifeline support levels of \$18.75 (voice-only service) and \$14.75 (bundled service) and consolidates both into one level. Staff calculates that to maintain the fund balance within a 3-5 month target range these two support levels will need to be reduced and consolidated to \$12.75 effective January 1, 2026.



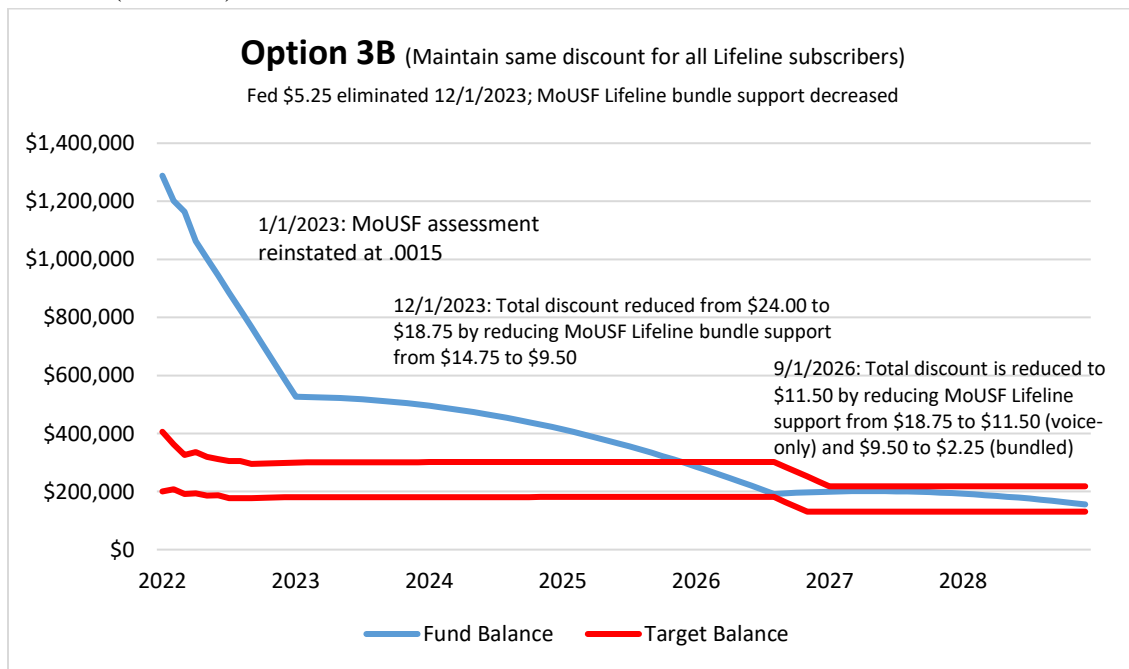
**Option 3 (Maintain the same total discount for all landline Lifeline subscribers):**

This option attempts to maintain the same total (federal + state) discount for all landline Lifeline subscribers through three different variations of Option 3. The three variations depend on whether federal Lifeline voice-only support is eliminated or maintained and if eliminated how the same total discount may be maintained for all landline Lifeline subscribers. Such factors will affect the timing and subsequent Missouri USF support reductions for landline Lifeline subscribers.

**Option 3A:** Assumes on December 1, 2023 federal \$5.25 Lifeline voice-only support is eliminated and Missouri USF Lifeline voice-only support is simultaneously increased from \$18.75 to \$24.00. On March 1, 2025 the total discount is reduced to \$12.75 by Missouri USF Lifeline support reductions of \$24.00 to \$12.75 (voice-only) and \$14.75 to \$3.50 (bundled).

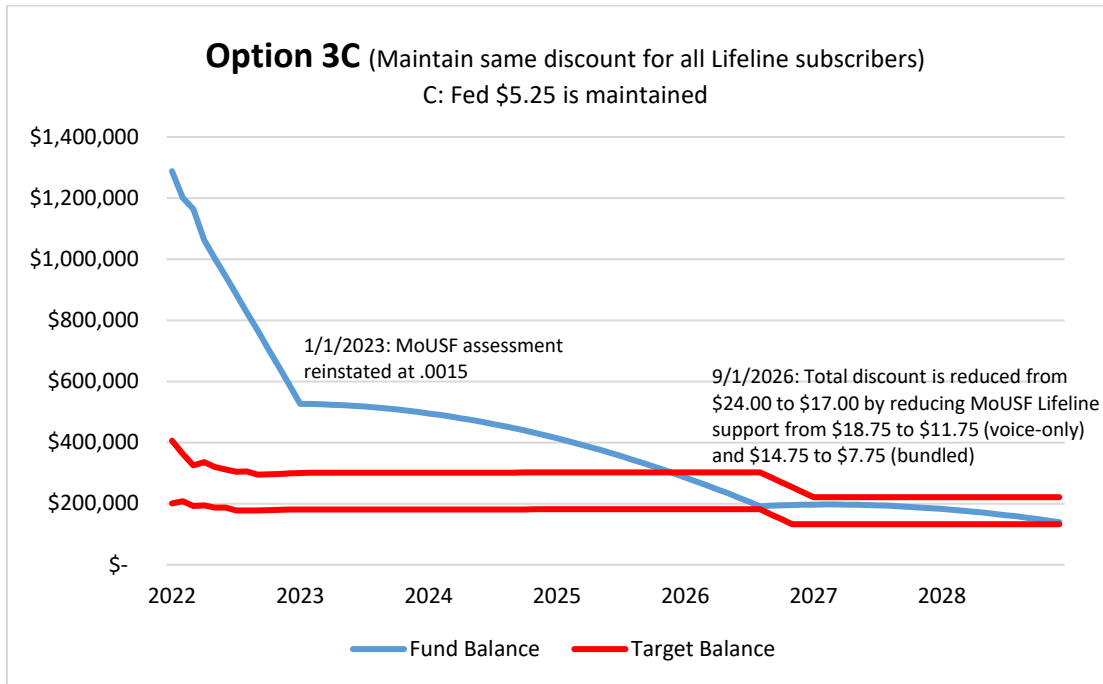


**Option 3B:** Assumes on December 1, 2023 federal \$5.25 Lifeline voice-only support is eliminated and Missouri USF Lifeline bundled support is simultaneously reduced from \$14.75 to \$9.50. On September 1, 2026 the total discount is reduced again by Missouri USF Lifeline support reductions of \$18.75 to \$11.50 (voice-only) and \$9.50 to \$2.25 (bundled).





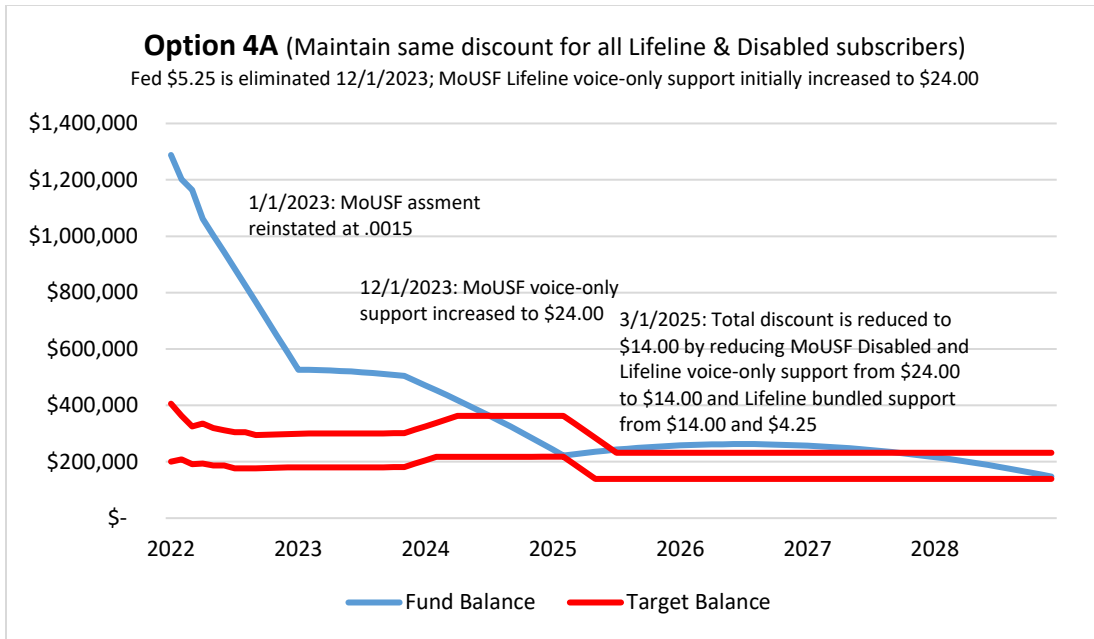
**Option 3C:** Assumes federal \$5.25 Lifeline voice-only support is maintained. On September 1, 2026 the total discount for all landline Lifeline subscribers is reduced from \$24.00 to \$17.00 through Missouri USF Lifeline support reductions of \$18.75 to \$11.75 (voice-only) and \$14.75 to \$7.75 (bundled).



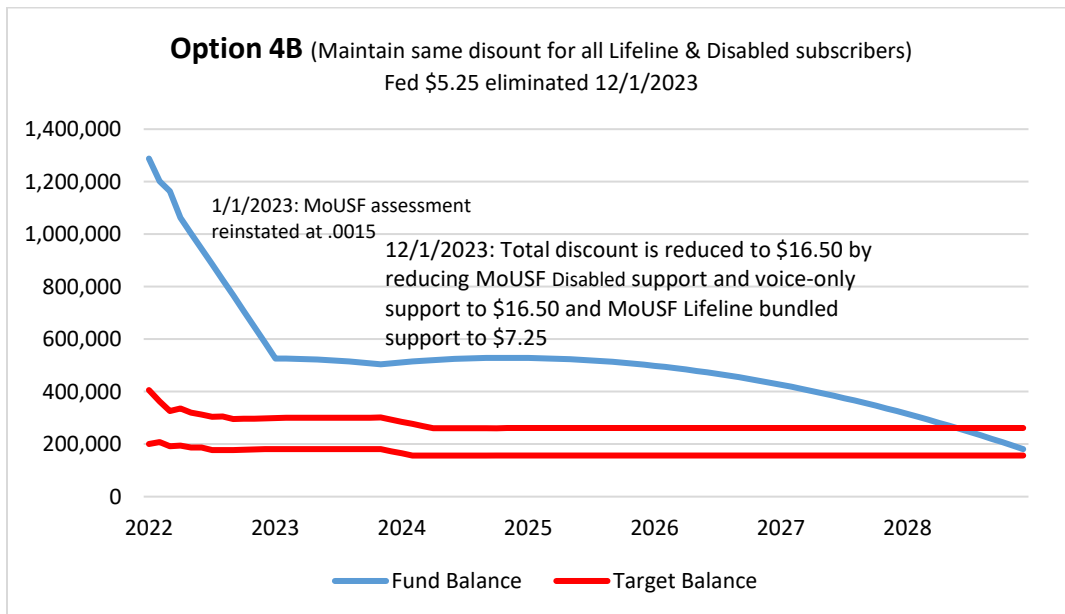
**Option 4 (Maintain the same total discount for all landline Lifeline and Disabled program subscribers):**

This option attempts to maintain the same total (federal + state) discount for all landline Lifeline and Disabled subscribers through three different variations of Option 4. The three variations are similar to the variations described for Option 3 but Option 4 maintains the same total discount by making adjustments to Missouri USF Lifeline and Disabled support.

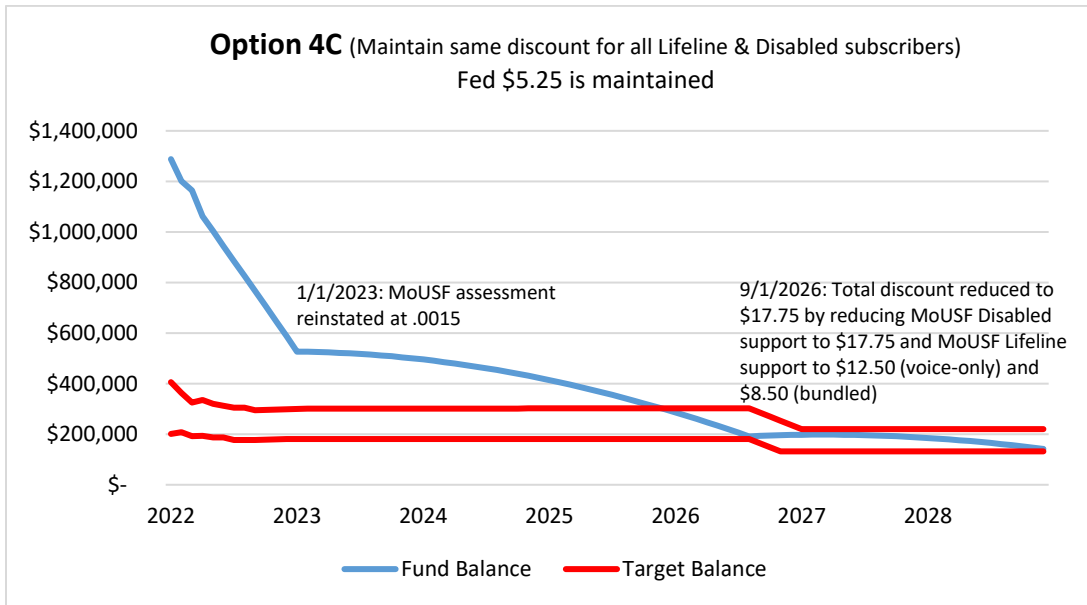
**Option 4A:** Assumes on December 1, 2023 federal \$5.25 Lifeline voice-only support is eliminated and Missouri USF Lifeline voice-only support is simultaneously increased from \$18.75 to \$24.00. On March 1, 2025 the total discount is reduced to \$14.00 by reducing Lifeline voice-only support and Disabled program support from \$24.00 to \$14.00 and Missouri USF Lifeline bundled support from \$14.75 to \$4.25.



**Option 4B:** Assumes on December 1, 2023 federal \$5.25 Lifeline voice-only support is eliminated. On this same date total (state + federal) discount is reduced from \$24 to \$16.50 by reducing Missouri USF Lifeline bundled support from \$14.75 to \$7.25, Missouri USF Lifeline voice-only support from \$18.75 to \$16.50 and Missouri USF Disabled support from \$24 to \$16.50.



**Option 4C:** Assumes federal \$5.25 Lifeline voice-only support is maintained. On September 1, 2026 the total discount for all landline Lifeline subscribers is reduced from \$24.00 to \$17.75 through Missouri USF Lifeline support reductions of \$18.75 to \$12.50 (voice-only) and \$14.75 to \$8.50 (bundled) and Disabled Missouri USF support from \$24.00 to \$17.75.



**MCTA recommends Commission Staff study the progress other states have achieved in modernizing their USF and how those programs are funded.**

One source regarding state universal service funds is the National Regulatory Research Institute who has issued two reports on state universal service funds. The initial report was released in June 2015 while the second report provided an update and was released in April 2019.<sup>7</sup> According to the more recent report, seventeen states provide state support to the Lifeline program and Missouri’s Disabled program may be a unique program among states with universal service funds. More time is needed to analyze these NRRRI reports including further research to determine if the reports remain up-to-date and whether more recent studies have been conducted.

<sup>7</sup> The initial report is titled State Universal Service Funds 2014; Report 15-05; released June 2015 while the second report is titled State Universal Service Funds 2018: Updating the Numbers; released April 2019. Both reports are accessible on NARUC’s website at [www.naruc.org/nrri/nrri-library/research-papers](http://www.naruc.org/nrri/nrri-library/research-papers)