

**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

AT&T COMMENTS ON STAFF’S IMPACT REPORT

AT&T¹ respectfully suggests² that Staff’s July 8 analysis counsels a more measured approach for addressing the growing Missouri Universal Service Fund (“USF”) surplus. In addition, a recent petition filed at the FCC seeking a stay of the December 1, 2019, phase-down in federal Lifeline support for voice services (until an upcoming June 30, 2021, study can be evaluated) may alleviate at least part of the need identified by Staff for increasing the monthly Missouri Lifeline subscriber support in such a precipitous fashion.

AT&T’s Comments

1. The Commission Should Consider a More Gradual Approach. If the Commission seeks to reduce the Missouri USF surplus while keeping the fund sustainable, it should consider a more gradual approach to find a reasonable equilibrium point - - for both subscriber support and assessments to carriers - - that can be maintained. Staff’s Memorandum and its attached MoUSF Assessment Scenarios Analysis shows the “fund balance will become negative in the following time frames: no assessment (March 2023); .0005. (July 2025); .0075 (November 2028); and .001 (May 2043).”³ While the carrier assessment levels account for the relatively minor timing variations, the proposed subscriber support increases are the primary drivers taking the fund

¹ Southwestern Bell Telephone Company, d/b/a AT&T Missouri, and its affiliates will be referred to herein as “AT&T.” Although AT&T Missouri no longer offers service under the state Lifeline and Disabled service programs (See MoPSC Case No. IO-2017-0132), it and its other affiliates continue to pay the Missouri USF assessment.

² AT&T makes this filing pursuant to the Commission’s June 19, 2019, Order Directing Filing in Case No. TO-2019-0346.

³ Staff’s Response to Commission Order Directing Filing, Case No. TO-2019-0346, filed July 8, 2019, Attachment A “Memorandum” at p. 2, and attached MoUSF Assessment Scenarios Analysis, Column M.

negative. At that point, unless the fund is to be terminated, restoring the fund's solvency and sustainability will require substantial changes, likely to both subscriber support and carrier assessments. On the consumer side, such abrupt adjustments could disrupt household budgets and lead to cancelation of services that customers would have come to rely on, but are no longer affordable.

AT&T would also note that Staff bases its fund balance projections on a constant demand of 4,099 subscribers.⁴ While this assumption does not appear unreasonable given the continued decline in Lifeline subscribership, over-sized service price reductions could artificially - - and unexpectedly - - re-stimulate demand. Moving the monthly support level from the current \$6.50 per subscriber to \$14.75 per Lifeline subscriber, and to \$24.00 per Disabled program subscriber will, as Staff points out, "place Missouri's support among the highest of all states,"⁵ and on average result in free or nearly free service.⁶ Removing even minimal price constraints in this manner could cause demand to expand beyond Staff's projections and significantly advance the date at which the Missouri USF goes negative.

Instead of immediately increasing the monthly support to \$14.75 per Lifeline subscriber, and to \$24.00 per Disabled program subscriber, the Commission should consider a more incremental approach that would enable it to measure the impact of any change on the fund, without jeopardizing its sustainability. In its initial comments, AT&T suggested suspending the Missouri USF assessment and evaluating whether that change alone will sufficiently reduce the

⁴ Staff MoUSF Assessment Scenarios Analysis, Column F.

⁵ Staff's April 24, 2019, Memorandum to the Mo. USF Board, appended to Staff's Motion to Open Docket and Recommendations in Case No. TO-2019-0346 ("Staff Memorandum"), filed May 10, 2019, at p. 8.

⁶ Id, p. 6. In addition, making the supported services effectively free or nearly free could increase the risk of fraud and abuse of the state Lifeline and Disabled programs, which the Commission identified as potential problems with respect to the free wireless Lifeline services available under the federal USF program. See MoPSC's January 23, 2018, comments to the FCC in WC Docket No. 17-287, *In the Matter of Bridging the Digital Divide for Low-Income Consumers*.

fund surplus (or place it on an appropriate trend to achieve the desired fund level). But if the Commission determined it necessary to increase the monthly support provided to Lifeline and Disabled program subscribers (either immediately, or after gauging the impact of USF assessment suspension), AT&T suggested a more gradual approach, such as increasing the monthly state Lifeline and Disabled support from \$6.50 to \$8.00 per subscriber, and then evaluating the impact after 18 months. Increasing the support to these programs incrementally, and then measuring the impact on subscribership will allow the Commission to gauge the demand for these supported services at different price levels, as well as the resulting financial impact on the fund.

2. The Phase-down in Federal Support for Voice Services may be Delayed. On June 27, 2019, a group of public interest, consumer, and civil rights organizations⁷ and CTIA⁸ filed a joint petition with the FCC's Wireline Competition Bureau requesting it exercise its waiver authority to stay—pending further study—two changes that would otherwise take effect on December 1, 2019: (1) an increase in the minimum required broadband data usage allowance, and (2) the phase-down in support for voice services. Petitioners explained that the FCC had previously directed the Bureau to complete, by June 30, 2021, a review of the changes to the Lifeline program (the “*State of the Lifeline Marketplace Report*”), and argued that the FCC should not “restrict eligible low-income consumers’ access to, and undermine the affordability of, Lifeline broadband and voice service offerings to the detriment of those the program is designed to help and before the Commission has the benefit of a marketplace analysis.”⁹ The FCC has put this

⁷ The National Consumer Law Center, on behalf of its low-income clients; the National Hispanic Media Coalition; OCA – Asian Pacific American Advocates; and the United Church of Christ, OC, Inc.

⁸ The Cellular Telephone Industry Association.

⁹ Joint Petition to Pause Implementation of December 2019 Lifeline Minimum Service Standards Pending Forthcoming Marketplace Study, *In the Matter of Lifeline and Link Up Reform and Modernization*, et al., WC Docket No. 11-42 et al., filed June 27, 2019, at p. 2. This petition can be accessed at: <https://www.fcc.gov/ecfs/filing/106270798206687>

petition out for public comments, due July 31, 2019; with reply comments due August 15, 2019. If granted, the FCC's staying the December 1, 2019, phase-down in federal support for voice services may alleviate at least part of the need identified by Staff for increasing the monthly Missouri Lifeline subscriber support.

Conclusion

Taking an incremental approach may help the Commission better calibrate support increases to meet existing need while keeping the fund sustainable. Such an approach would help avoid any later need to cut any over-sized support subscribers would have become accustomed to receiving. Incremental increases would also serve Staff's goal of providing more data (through measurements of demand at the various price levels) for the Commission's use in evaluating the need for maintaining the fund on a long-term basis.¹⁰

Respectfully submitted,

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¹⁰ Staff Memorandum, p. 8 (“If this downward trend is unaffected by a significant increase in state USF support, it may be taken as a sign that the USF is no longer of value to consumers”).

CERTIFICATE OF SERVICE

Copies of this document and all attachments were served on the following by e-mail on July 15, 2019.



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