

History and Implementation of a Missouri Universal Service Fund

Effective March 31, 2002, the Missouri Public Service Commission approved the establishment of a Missouri Universal Service Fund (MoUSF) to help low-income and disabled Missourians receive discounts for basic local telephone service. The Commission established a start date of May 1, 2005 with a carrier surcharge of .18% of net jurisdictional revenues.

The establishment of the MoUSF is pursuant to state law passed by the Missouri General Assembly in 1996 (Senate Bill 507). The plan would provide support for a substantial number of low-income and disabled Missouri residents.

The Missouri Universal Service Fund is administered by the Missouri Universal Service Board comprised of members of the Commission and the Office of Public Counsel. In 2004, the Missouri Universal Service Board hired QSI Consulting as the Fund Administrator to work with the Missouri Universal Service Board in administering the fund.

The program will be funded through a Missouri telecommunications carrier surcharge assessment. The purposes of the MoUSF program are to implement assistance to low-income and disabled customers for telecommunications services under the Lifeline and/or Link-up programs funded from the Federal Universal Service Fund. One goal established by the Missouri Public Service Commission was to fashion a state program so that the support amount provided to the low-income and disabled customers is set at a level necessary to gain the maximum Federal Universal support for services to such customers. The Commission established state support of \$3.50 per customer per month which would provide the maximum in federal funding. The Federal Universal Service Fund and the MoUSF may offer a discount to qualifying customers up to \$13.50 per month. Adoption of the MoUSF low-income/disabled program will increase the level of penetration in households made up of low-income ratepayers and, possibly, households with disabled ratepayers.

Purpose of Low income/disabled fund

1. Assist low income/disabled customer
2. Maximize federal universal support

Supplemental Missouri Universal Service Fund Information

Low-Income Program:

Currently, the federal lifeline services offer a discount for low income customers up to a \$6.50 discount for the subscriber line charge (SLC) with an additional federal discount of \$1.75 per customer per month on the consumer's local telecommunications service. If the state offers a low income program, the federal USF program will match the state lifeline proposal by 50 % up to a maximum of \$1.75 per customer per month. The State of Missouri is maximizing the federal contribution by establishing a \$3.50 low income state fund whereby the additional federal support will be \$1.75 per customer per month.

Therefore, a customer may receive a discount as follows:

Subscriber Line Charge	\$	6.50
Federal local telecommunications discount		1.75
State low income discount		3.50
Additional Federal local telecommunications discount		<u>1.75</u>
Total Discount	\$	<u>13.50</u>

Disability Program:

Currently, there is no federal lifeline services offered for disability consumers. The state disability proposal will offer a discount of \$3.50 per customer per month off of the consumers local telecommunications service. If any member of the household has a disability and is receiving disability benefits as defined above, the consumer is eligible to receive the disability discount.

Question: What is the procedure if a low-income assistance customer is below the maximum \$13.50 maximum threshold including the SLC charges? Two examples are detailed below (one over \$13.50, one under \$13.50):

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Therefore, a customer may receive a discount as follows:

Sample essential telecommunications services plus SLC	\$	14.00	\$	12.00
Less:				
Discount:				
Subscriber Line Charge	\$	6.50	\$	6.50
Federal local telecommunications discount		1.75	\$	1.75
State low income discount		3.50	\$	2.50
Additional Federal local telecommunications discount		<u>1.75</u>	\$	<u>1.25</u>
Total Discount	\$	<u>13.50</u>	\$	<u>12.00</u>
Customer would pay	\$.50	\$.00

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When a customer's essential local telecommunications amount is less than \$13.50, the customer receives the subscriber line charge discount and the \$1.75 federal local telecommunications discount. The state discount and the additional federal local telecommunications discount is adjusted on a 2:1 ratio as demonstrated above.

The federal lifeline assistance program outlines that lifeline customers shall not be charged the monthly number-portability charge (section 52.33 (a)(1)(i)(C)).

Federal Lifeline Support:

Four tiers of federal Lifeline support

- 1st tier – a waiver of the federal subscriber line charge (SLC) up to \$6.50 month.
- 2nd tier - \$1.75 per month reduction in the basic local rate.
- 3rd tier – federal support is based on the amount of additional state support. Federal support is available to match one half of state support up to a maximum of \$1.75 in federal support.
- 4th tier – eligible subscribers living on tribal lands. Provides up to an additional \$25 per month towards reducing basic local service rates.

Customer Eligibility

Currently, eligibility is based on participation in means-tested programs. A consumer must certify, under penalty of perjury, that he/she participates in at least one of the following federal programs. Carriers are not required to verify such certification.

1. Medicaid
2. Food Stamps
3. Supplemental Security Income (SSI)
4. Federal Public Housing Assistance (Section 8)
5. Low Income Home Energy Assistance Program (LIHEAP)

Rulemaking on Missouri low-income/disabled assistance program (Chapter 31 Rules)

The Missouri Commission tentatively approved an emergency rulemaking adopting some of the new criteria added by the federal Lifeline program. Specifically, the emergency rulemaking will add low-income criteria as follows:

1. Temporary assistance to Needy families (TANF)
2. National School Lunch (NSL)

The emergency rule will also clarify that if a customer qualifies for the state program, he/she will automatically qualify for the federal program without further application. Again, no verification is required for carriers.

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The emergency rule will require carriers to maintain eligibility documentation for 3 years.

If a consumer appears to no longer qualify for assistance, the emergency rule will require carriers to allow consumers 60 days to provide proof that they continue to meet eligibility requirements.

(The Missouri Commission chose not to implement the income criteria and associated verification.)