

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Communications Division  
Broadband, Policy & Analysis Branch**

**RESOLUTION T-17434  
February 27, 2014**

**R E S O L U T I O N**

**Resolution T-17434 Approval of a Revised Surcharge Rate of 0.464%  
for the California Advanced Services Fund Effective April 1, 2014**

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**Summary**

This Resolution adopts a revised surcharge rate of 0.464% for the California Advanced Services Fund (CASF) effective April 1, 2014, until further revised by the Commission. All certificated telephone corporations and interconnected Voice over Internet Protocol (VoIP) service providers shall apply this new surcharge rate on revenues collected from end-users for intrastate telecommunications services effective April 1, 2014, and thereafter. Carriers shall submit all surcharge fees collected to the Commission.

**Background**

On December 20, 2007, the Commission approved Decision (D.) 07-12-054 which established the two-year CASF program to provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California. As provided for in this D.07-12-054, the total grant money authorized and allocated for broadband infrastructure projects was \$100 million funded by a 0.25% surcharge on revenues collected from end-users for intrastate telecommunications services effective January 1, 2008.

On February 12, 2008, Senate Bill (SB) 1193 (Chapter 393, Stats. of 2008) established the CASF as a new public purpose program and amended Public Utilities Code (P.U.) Sections (§§) 270 and 281 to incorporate additional language on the CASF. P.U. Code § 281(b)(3) limited the CASF surcharge revenue collection to \$100 million. On December

17, 2009, the Commission approved Resolution T-17248 which revised the surcharge from 0.25% to 0.00% on end-user bills since it was projected that the surcharge revenue limit of \$100 million would be reached in December 2009. Any excess funds over the allowable limit would require a true-up adjustment.

On September 25, 2010, SB 1040 (Chapter 317, Stats. of 2010) amended P.U. Code § 281 by extending the CASF program beyond January 1, 2013. In addition to continuing the broadband infrastructure grant program established by the original legislation, SB 1040 established two new accounts within the CASF program: The Rural and Urban Regional Broadband Consortia Account (Consortia Account) and The Broadband Infrastructure Revolving Loan Account (Loan Account). SB 1040 also provided \$125 million (not exceeding \$25 million per year) to fund the following three programs with the associated amount of funding commencing January 1, 2011: The Broadband Infrastructure Grant Account - \$100 million; The Rural and Urban Regional Broadband Consortia Account - \$10 million; and, The Broadband Infrastructure Revolving Loan Account - \$15 million. Consequently, on February 1, 2012, the Commission approved D.12-02-015 implementing the provisions of SB 1040. A key provision in D.12-02-015 was an increase to the maximum CASF grant award of 40% of project costs to 70% for unserved areas and 60% for underserved areas.

On September 22, 2011, the Commission approved Resolution T-17343 which revised the surcharge from 0.00% to 0.14% on end-user bills to begin the collection of the new \$125 million authorized in SB 1040. The 0.14% surcharge became effective November 1, 2011 and was developed using an estimated billing base of \$20.80 billion in Fiscal Year (FY) 2011-12 and FY 2012-13, and applying the excess revenue amount of \$15 million already collected in 2008-2009 beyond the \$100 million limit authorized in SB 1193. The Commission approved Resolution T-17386 on February 13, 2013, which increased the surcharge rate from 0.14% to 0.164% effective April 1, 2013. The increase in surcharge rate to 0.164% was necessary in order to fully collect the authorized \$25 million per year. CASF under collected the authorized annual surcharge revenue at the lower rate of 0.14% since the billing base in FY 2012-13 and FY 2013-14 decreased to an estimated \$15.8 billion<sup>1</sup>.

On October 03, 2013, Governor Brown approved Senate Bill (SB) 740<sup>2</sup> and Assembly Bill (AB) 1299<sup>3</sup>. Specifically, SB 740 authorized the collection of an additional \$90 million<sup>4</sup> to

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<sup>1</sup> On October 2012, the estimated billing base of \$15.8 billion was calculated by taking a six month average of the annualized billing base amounts.

<sup>2</sup> SB 740 (Padilla) Stats. 2013 Ch. 522, amending Cal. Pub. Util. Code § 281.

<sup>3</sup> SB 1299 (Bradford) Stats. 2013 Ch. 507, amending Cal. Pub. Util. Code § 281.

be deposited in the CASF Broadband Infrastructure Grant Account (Infrastructure Grant Account), extended the surcharge collection through the 2020 calendar year, established the goal of the CASF program to approve funding for infrastructure projects that will provide broadband access to no less than 98% of California households by no later than December 31, 2015, and allowed any entity which is not a telephone corporation to be eligible to apply for a CASF grant and loan if that entity otherwise satisfies the CASF's eligibility requirements and any other requirements as defined by the Commission, amongst other requirements identified in the bill. AB 1299 created an additional account under the CASF called the Broadband Public Housing Account (Public Housing Account) to support the deployment of broadband networks and adoption programs in eligible publicly supported communities. The Public Housing Account efforts will be funded through \$20 million from the Infrastructure Grant Account and \$5 million from the Revolving Loan Account, respectively. Any monies in the Public Housing Account that have not been awarded by December 31, 2016, shall be transferred back to the Infrastructure Grant Account and Loan Account in proportion to the amount transferred from the respective accounts.

## **Discussion**

The Communications Division (CD) staff has reviewed the 0.164% surcharge collection rate and has determined that the CASF continues to under collect the cap limit of \$25 million per calendar year. Additionally, CD staff has determined that the CASF must collect an amount higher than the \$25 million cap per year for calendar years 2014 and 2015 to make up the variance of the under collection from years 2011 to 2013 and to have funds available to meet the new requirements imposed on the program with the passing of SB 740 and AB 1299. The following table shows the estimated surcharge collection for the CASF in calendar years 2011 through 2020:

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<sup>4</sup> On and after January 1, 2011, the Commission may collect an additional sum not to exceed \$215 million, for a sum total of moneys collected not to exceed \$315 million.

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Calendar Year	Surcharge Excess Collection 2008-10	Surcharge Rate	Surcharge Collection	Total	Variance (Undercollection)	Estimated Running Total
Original CASF 2008-10	-	0.25%	\$100 million	\$100 million	-	\$100 million
YEAR 1 – 2011 (Nov – Dec)	<b>\$15,350,423<sup>5</sup></b>	0.14%	\$467,496	\$16 million	(\$9 million)	\$116 million
YEAR 2 – 2012	\$0	0.14%	\$22 million	\$22 million	(\$3 million)	\$138 million
YEAR 3 – 2013 (Apr – Dec)	\$0	0.164%	\$20 million	\$20 million	(\$5 million)	\$158 million
YEAR 4 – 2014 (Apr – Dec)	\$0	0.464%	\$56 million*	\$56 million	-	\$214 million
YEAR 5 - 2015	\$0	0.464%	\$67 million*	\$67 million	-	\$281 million
YEAR 6 – 2016 (Jan – June)	\$0	0.464%	\$34 million*	\$34 million	-	\$315 million
YEAR 7 - 2017	\$0	0%	\$0*	\$0	-	\$315 million
YEAR 8 – 2018	\$0	0%	\$0*	\$0	-	\$315 million
YEAR 9 - 2019	\$0	0	\$0*	\$0	-	\$315 million
YEAR 10 - 2020	\$0	0	\$0*	\$0	-	\$315 million
<b>Total</b>				<b>\$315 million</b>		

\*Estimated Collection

The under collection amounting to a total of around \$17 million in 2011 to 2013<sup>6</sup> is primarily due to a decrease in the billing base. When the 0.14% surcharge became effective on November 1, 2011, the billing base was estimated at \$20.80 billion. When the 0.164% surcharge became effective on April 1, 2013, the billing base was estimated at \$15.8 billion. However, the billing base continues to decrease to a now estimated

<sup>5</sup> \$15,350,423 was calculated based on the amounts reported on the CALSTAR Q24 revenues reports from the start of the program to December 2010.

<sup>6</sup> Authorized collection from 2011 through 2013 at \$25 million per year equals \$75 million, Under collection is therefore: \$75 million – (\$16 million + \$22 million + \$20million) = \$17 million

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\$14.4 billion in FY 2013-14 and FY 2014-15. As a result of this decrease in billing base, CD recommends that the Commission adjust the CASF surcharge rate upward in order to recover the under collections from years 2011 to 2013 and to also have funds available to meet the new requirements imposed on the program with the enactment of SB 740 and AB 1299. Specifically, the Commission needs to have enough funds available in the CASF account to enable the Commission to meet the newly established goal of approving funding for infrastructure projects that will provide broadband access to no less than 98% of California household by no later than December 31, 2015. The Commission also needs to be able to fulfill the statutory mandate of encumbering the \$25 million for infrastructure and adoption projects in publicly supported communities no later than December 31, 2016.

The Commission therefore adopts a 0.464% surcharge rate effective April 1, 2014, which was developed using the revised billing base of \$14.4 billion. CD staff projects total revenue collections from January 1, 2014, through March 31, 2014, at the current 0.164% surcharge to reach approximately \$5.9 million. Total revenue collections from April 1, 2014, through December 31, 2014, at the new 0.464% surcharge, is expected to reach approximately \$50.3 million.<sup>7</sup> Therefore the estimated total surcharge revenue collection in 2014 is \$56.2 million, and assuming the new surcharge rate continues through the 12 months in 2015 and 6 months in 2016, the estimated surcharge collection will total \$67 million for 2015 and \$33.5 million for 2016. As authorized in P.U. Code § 281, the Commission may consider collecting a higher amount (exceeding \$25 million) in any year as long as the collection of such higher amount does not result in an increase in the total amount of all surcharges collected from telephone customers that year.

On December 5, 2013, the Commission approved Resolution T-17417 which reduced the California High Cost Fund B (CHCF-B) surcharge rate from 0.300% to 0.000% effective February 1, 2014. This reduction allows the CASF program to increase the surcharge rate and not result in an increase in the total amount of all surcharges collected from telephone customers in the year. By the end of calendar year 2013, the total surcharge rate collected from telephone customers for all six CPUC telecommunications public programs<sup>8</sup> was equal to 2.584%<sup>9</sup>. With the surcharge rate decrease for the CHCF-B to 0.000% and the proposed surcharge rate increase for the CASF to 0.464%, the estimated

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<sup>7</sup> The surcharge rate of 0.310% applied to a monthly billing base of approximately \$1,200,000,000 (i.e., \$14.4 billion/12 months) generates total surcharge remittances for 9 months of \$33.6 million.

<sup>8</sup> The six CPUC telecommunications public programs are: (1) Universal Lifeline Telephone Service (ULTS) (2) Deaf and Disabled Telecommunications Program (DDTP) (3) California High Cost Fund A (CHCF-A) (4) California High Cost Fund B (CHCF-B) (5) California Teleconnect Fund (CTF) (6) California Advanced Services Fund (CASF)

<sup>9</sup> <http://www.cpuc.ca.gov/PUC/Telco/Consumer+Information/surcharges.htm> - Spreadsheet on history of surcharge rates from inception of program(s)

total surcharge rate collection from telephone customers in 2014 is estimated at 2.584%, a net zero effect compared to the 2.584% total surcharge rate at the end of calendar year 2013.

All certificated telephone corporations and interconnected VoIP service providers shall revise the CASF surcharge rate from 0.164% to 0.464% on revenues collected from end-users for intrastate telecommunications services effective April 1, 2014, and thereafter, until further revised by the Commission. All such carriers shall submit CASF surcharge fees collected to the Commission using the Commission's Telecommunications User Fee Filing System (TUFFS).

There is no probable or direct safety impact associated with this Resolution because it solely adjusts the surcharge rate for the CASF.

### **Advice Letter Filing**

Consistent with Resolution T-16901, dated December 2, 2004, AT&T (formerly SBC) shall file an Advice Letter on or before March 14, 2014, modifying the CASF surcharge from 0.164% to 0.464% to take effect on April 1, 2014, and thereafter, until further revised by the Commission. AT&T is not required to inform competing carriers of tariff changes which comply with this Resolution.

### **Comments**

In compliance with PU Code § 311(g), a notice letter was e-mailed on January 28, 2014, to Parties of Record in R.12-10-012, R.10-12-008 & R.06-06-028, CASF applicants, telephone corporations Registered with the Commission, and other interested parties informing these parties that this draft Resolution is available at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/> and is available for public comments. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at this same website.

No opening or reply public comments were submitted on this Resolution.

## Findings

1. In D.07-12-054, the Commission established the two-year CASF program to provide matching funds of up to 40% of the total project costs for the deployment of broadband infrastructure in unserved and underserved areas in California.
2. D.07-12-054 authorized and allocated \$100 million for broadband infrastructure projects funded by a 0.25% surcharge on revenues collected from end-users for telecommunications intrastate services, effective January 1, 2008.
3. In February 2008, P.U. Code §§ 270 and 281 were amended as a result of the enactment of SB 1193 establishing the CASF as a new public purpose program.
4. P.U. Code § 281(b)(3) limited the CASF surcharge revenue collection to \$100 million.
5. In December 2009, the Commission approved Resolution T-17248 revising the CASF surcharge from 0.25% to 0.00% since the \$100 million limit would be reached by December 2009.
6. On September 25, 2010, SB 1040 amended P.U. Code § 281 extending the CASF program beyond January, 1, 2013. Among other changes, SB 1040 provided \$125 million to be collected through surcharges, but not to exceed \$25 million per year, unless the Commission determines that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year. Consequently, on February 1, 2012, the Commission approved D.12-02-015 implementing the provisions of SB 1040. A key provision in D.12-02-015 was an increase to the maximum CASF grant award of 40% of project costs to 70% for unserved areas and 60% for underserved areas.
7. On September 22, 2011, the Commission approved Resolution T-17343 revising the CASF surcharge from 0.00% to 0.14%.
8. The surcharge rate of 0.14% became effective on November 1, 2011, and was developed using an estimated billing base of \$20.80 billion in FY 2011-12 and FY 2012-13, and applying the excess revenue amount of \$15 million already collected in 2008-2009 beyond the \$100 million limit authorized in SB 1193.
9. On February 13, 2013, the Commission approved Resolution T-17386 revising the CASF surcharge from 0.14% to 0.164%.

10. The surcharge rate of 0.164% became effective on April 1, 2013, and was developed using an estimated billing base of \$15.8 billion in FY 2012-13 and FY 2013-14.
11. Due to a decrease in billing base, the surcharge collections in calendar years 2011 to 2013 were below the projected target of \$25 million per year.
12. The billing base is estimated to be \$14.4 billion in FY 2012-14 and FY 2013-15.
13. In October 2013, SB 740 amended P.U. Code § 281 authorizing the collection of an additional \$90 million for the CASF Broadband Infrastructure Grant Account and extending the surcharge collection through the 2020. SB 740 established the goal of the CASF program to approve funding for infrastructure projects that will provide broadband access to no less than 98% of California households by no later than December 31, 2015.
14. In October 2013, AB 1299 (co-joined with SB 740) further amended P.U. Code § 281 creating the Broadband Public Housing Account under CASF to support the deployment of broadband networks and adoption programs in eligible publicly supported communities. The Public Housing Account is to be funded through \$20 million from the Infrastructure Grant Account and \$5 million from the Revolving Loan Account, respectively. The Commission has to award these funds by December 31, 2016, or they shall be transferred back to the Infrastructure Grant Account and Loan Account.
15. To recover the under-collections of \$17 million in calendar years 2011 to 2013 and to also have funds available to meet the new requirements imposed on the program with the enactment of SB 740 and AB 1299, CD recommends that the Commission adjust the CASF surcharge rate upward.
16. The CASF surcharge rate should be increased to 0.464% effective April 1, 2014.
17. CD projects collecting surcharge revenues of \$56.2 million in 2014, \$67 million in 2015, and \$33.5 million in 2016, which are higher than the cap limit of \$25 million per calendar year.
18. On December 5, 2013, the Commission approved Resolution T-17417 reducing the CHCF-B surcharge rate from 0.300% to 0.000%, effective February 1, 2014. Such reduction allows the CASF program to increase the surcharge rate from 0.164% to



0.464% and not result in an increase in the total amount of all surcharges collected from telephone customers in the year.

19. All certificated telephone corporations and interconnected VoIP service providers should apply the CASF surcharge rate of 0.464% on revenues collected from end-users for intrastate telecommunications services effective April 1, 2014, and thereafter, until further revised by the Commission and should submit all surcharge fees collected to the Commission using the Commission's Telecommunications User Fee Filing System (TUFFS).
20. There is no probable or direct safety impact associated with this Resolution because it solely adjusts the surcharge rate for the CASF.
21. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an Advice Letter on or before March 14, 2014, modifying the CASF surcharge rate from 0.164% to 0.464% to take effect on April 1, 2014, and thereafter, until further revised by the Commission.
22. Copies of the notice letter advising parties of the availability of this draft Resolution and the conformed Resolution, when adopted by the Commission, on the Commission's website were e-mailed on January 28, 2014, to Parties of Record in R.12-10-012, R.10-12-008 & R.06-06-028, CASF applicants, telephone corporations Registered with the Commission, and other interested parties.
23. No opening or reply public comments were submitted on this Resolution.

**THEREFORE, IT IS ORDERED that:**

1. The CASF surcharge rate of 0.464% is adopted effective April 1, 2014, until further revised by the Commission.
2. All certificated telephone corporations and interconnected VoIP service providers shall revise the CASF surcharge rate from 0.164% to 0.464% on revenues collected from end-users for intrastate telecommunications services effective April 1, 2014, and thereafter, until further revised by the Commission and shall submit all collected surcharge fees to the Commission.

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3. AT&T shall file an Advice Letter on or before March 14, 2014, modifying the surcharge rate for the CASF from 0.164% to 0.464%, effective April 1, 2014, and thereafter, until further revised by the Commission.

This Resolution is effective today.

I hereby certify that the Public Utilities Commission at its regular meeting on February 27, 2014, adopted this Resolution. The following Commissioners approved it:

/s/ Paul Clanon

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PAUL CLANON  
Executive Director

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

MICHAEL PICKER

Commissioners