

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17471
March 26, 2015**

RESOLUTION

**Resolution T-17471. Approval of the California Teleconnect Fund Program
Surcharge Rate of 1.08% Effective June 1, 2015.**

SUMMARY

This resolution revises the California Teleconnect Fund (CTF) program surcharge from the current rate of 0.93% to 1.08% effective June 1, 2015, until further revised by the California Public Utilities Commission (Commission). All telecommunications carriers and interconnected Voice over Internet Protocol (VoIP) service providers shall apply this revised CTF surcharge rate on revenues collected from end-users for intrastate telecommunications services subject to surcharge effective June 1, 2015 and thereafter, until further ordered by the Commission.

BACKGROUND

In Decision (D.)96-10-066, the Commission created the CTF program, effective October 25, 1996, to provide discounted rates for advanced telecommunications services for qualifying schools, libraries, government-owned health care providers, and community based organizations (CBOs).

Public Utilities (PU) Code Sections 270-281 were enacted in October 1999. Section 280(d) requires that the money appropriated from the CTF Administrative Committee Fund be used only for the purpose of that fund.

In May 2006, the Commission opened Rulemaking 06-05-028 to conduct a comprehensive review of the Telecommunications Public Purpose Programs including the CTF. Subsequently, the Commission, in D.08-06-020 adopted on June 12, 2008, found that the CTF was successfully enhancing universal service goals, and ordered several key changes to further streamlining and enhancing the goals of the CTF program. These changes included the removal of CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis, and the

inclusion of California's community colleges, California Telehealth Network participants, and CBOs authorized to provide 2-1-1 Information and Referral Services.¹

On January 31, 2013, the Commission on its own motion opened Rulemaking (R.)13-01-010 to determine whether the CTF is fulfilling its purpose, and whether the CTF's current structure and administrative processes are adequate to further the program's goals.² In this rulemaking, the Commission is reviewing the program goals, participant eligibility, eligible services, service provider eligibility, and budget and administrative rules.

The CTF program is funded by a surcharge assessed on revenues collected from end-users for intrastate telecommunications services subject to surcharge. On August 14, 2014, the Commission adopted Resolution T-17442, which increased the CTF surcharge rate from 0.59% to 0.93% to meet forecasted CTF budget requirements. Historical CTF surcharge rates are available online at <http://www.cpuc.ca.gov>.

DISCUSSION

The Commission's Communications Division (CD) is charged with the responsibilities of monitoring universal service public purpose programs including fund balances and surcharge rates to ensure that the programs are sufficiently funded.

On November 6, 2014, the Commission adopted Resolution T-17456 approving a CTF operating budget of \$148.087 million for Fiscal Year (FY) 2015-16, an increase of approximately \$40 million from FY 2014-15. This budget increase is primarily due to the education initiatives included in the State Budget for FY 2014-15, and recent changes in the federal E-rate program.

At the current surcharge rate of 0.93%, CD projects that the CTF would not be able to meet the budgeted program expenses for the FY 2015-16. To this end, CD recommends the Commission increase the CTF surcharge from 0.93% to 1.08% effective June 1, 2015. This surcharge increase is needed to meet increased program expenses and to maintain an adequate reserve to meet economic uncertainties. Table 1, Projected CTF Fund Condition reflects forecasted fund condition if the surcharge increase is adopted.

¹ CBOs providing 2-1-1 Referral and Information Services must be authorized by the Commission through a resolution process.

² R.13-01-010 Order Instituting Rulemaking to Conduct a Comprehensive Examination of the California Teleconnect Fund.

	<u>FY 2014-15</u>	<u>FY 2015-16</u>
1. Projected Billing Base	\$13,621.000	\$13,621.000
2. Beginning Fund Balance ³	\$5.558	\$14.375
3. Projected Revenue (Ln 1/12 * # of Months * Applicable Surcharge Rate)		
At 0.59% (eff. 12/01/12 @ 3 months)	\$20.091	
At 0.93% (eff. 10/1/14 @ 8 months)	\$84.450	
At 1.08% (eff. 6/1/15 @ 1 month)	\$12.259	\$147.107
4. Total Revenue (Sum of Ln 3)	\$116.800	\$147.107
5. Approved Operating Budget ⁴	\$107.983	\$148.087
6. Ending Balance (Ln 2+Ln4-Ln5)	\$14.375	\$ 13.395

If the higher surcharge rate is approved, the monthly incremental increases in revenues are projected to be \$1.703 million.⁵ The new surcharge rate takes effect on June 1, 2015, so in FY 2014-15 the CTF will receive only one month of additional revenues. The total projected revenue for FY 2014-15 is \$116.800 million. For FY 2015-16, the surcharge increase will be in effect for a full twelve months and it will raise \$20.431 million in incremental revenues. The total projected revenue for FY 2015-16 is \$147.107 million. The increased surcharge rate will provide adequate funding for the anticipated expenses and reserves for the program in FY 2015-16. Therefore, CD's recommendation is reasonable and should be adopted.

All telecommunication carriers and interconnected VoIP service providers should assess a CTF surcharge rate of 1.08% on revenues collected from end users for intrastate telecommunications services subject to surcharge on June 1, 2015, and thereafter, until further ordered by the Commission.

³ Beginning Balance from Governor's Proposed Budget for FY 15-16.

⁴ FY 2014-15 and FY 2015-16 budgets were adopted in Resolutions T-17414 and T-17456, respectively.

⁵ \$1.703 million is the increase surcharge rate 0.15%(1.08%-0.93%) multiplied by the monthly billing base 1,135 million (13,621 million annual billing base/12)

ADVICE LETTER FILING

In Resolution T-16901, issued December 2, 2004, the Commission modified the tariff process for revising telecommunications Public Programs surcharge rates. The revised process requires all certificated carriers filing tariffs with the Commission to file a generic tariff reference to AT&T California (formerly SBC California) tariffs for the list of Public Program surcharge rates and the Reimbursement Fee. This process change is effective with surcharge rates and reimbursement fees implemented on January 1, 2005 and thereafter, until revised by the Commission.

In order to comply with the modified tariff process, AT&T California should file an Advice Letter on or before May 1, 2015, to modify the CTF surcharge rate from 0.93% to 1.08%, effective June 1, 2015 and thereafter, until further revised by the Commission. Pursuant to Ordering Paragraph #1 of Resolution T-16901, all other carriers with Commission-filed scheduled tariffs should be cross-referenced to AT&T California's tariff for all future changes in the Public Program surcharges, including the CTF. Therefore, these carriers are not required to file an Advice Letter reflecting the new surcharge rate of 1.08% effective on June 1, 2015 and thereafter. These concurring carriers, however, are required to implement the new CTF surcharge rate of 1.08% effective June 1, 2015.

SAFETY ISSUES

This Resolution ensures that there is adequate funding, at an appropriate level, to support the CTF program budgetary expenditures. The CTF program helps to promote universal service by subsidizing advanced communications services of qualified anchor institutions that continues to enhance the safety of these entities.

COMMENTS

In compliance with PU Code § 311 (g), the Commission e-mailed on February 20, 2015, a notice letter informing all telecommunications carriers, members of the CTF-AC, and the parties of records in R.13-01-010 of the availability of this draft resolution for comments, as well as the availability of the final resolution, if adopted by the Commission, on the Commission website at www.cpuc.ca.gov. No comments were filed.

FINDINGS

1. The California Teleconnect Fund (CTF) was adopted in Decision 96-10-066, effective October 25, 1996, to provide discounted rates for advanced telecommunications services for qualifying schools, libraries, government-owned health care providers, and community based organizations.
2. Public Utilities Code Section 280(d) requires that the money appropriated from the CTF funds be used only for the purpose of the program.
3. Rulemaking 13-01-010 will review program goals, participant eligibility, eligible services, service provider eligibility, and budget and administrative rules.
4. On August 14, 2014, the Commission adopted resolution T-17442, which increased the CTF surcharge rate from 0.59% to 0.93%, effective October 1, 2014 until further revised by the Commission.
5. On November 6, 2014 the Commission adopted Resolution T-17456 approving a CTF operating budget of \$148.087 million for FY 2015-16.
6. CD estimates that the CTF would receive surcharge revenues of \$147.107 million during FY 2015-16 based upon the surcharge rate of 1.08% effective May 1, 2015.
7. The CTF surcharge rate of 1.08%, effective June 1, 2015, is needed to meet CTF's FY 2015-16 approved operating budget and to maintain an adequate reserve to meet economic uncertainties.
8. CD's proposal of increasing the CTF surcharge rate to 1.08% effective June 1, 2015 is reasonable and should be adopted.
9. All telecommunications carriers and interconnected VoIP service providers should revise the CTF surcharge rate assessed on end-user intrastate telecommunications service revenues to 1.08% beginning on June 1, 2015, and thereafter, or until otherwise directed by the Commission.

10. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter by May 1, 2015, modifying the CTF surcharge rate from 0.93% to 1.08%, until further revised by the Commission.
11. In compliance with PU Code § 311 (g), the Commission e-mailed on February 20, 2015, a notice letter informing all telecommunications carriers, members of the CTF-AC, and the parties of record in R.13-01-010 of the availability of this revised draft resolution for comments, as well as the availability of the conformed resolution, if adopted by the Commission, on the Commission website at www.cpuc.ca.gov.
12. No comments were filed.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund surcharge rate of 1.08%, effective June 1, 2015 and thereafter, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before May 1, 2015, modifying the surcharge rate for the California Teleconnect Fund from 0.93% to 1.08%, effective, June 1, 2015, and thereafter, until further revised by the Commission.
3. All telecommunication carriers and interconnected VoIP service providers shall assess a CTF surcharge rate of 1.08% on revenues collected from end users for intrastate telecommunications services subject to surcharge on June 1, 2015, and thereafter, until further ordered by the Commission.

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission as its regular meeting on March 26th, 2015, the following Commissioners approved it.

/s/ Tim Sullivan

TIMOTHY J. SULLIVAN

Executive Director

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

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LIANE M. RANDOLPH

Commissioners