

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17332
September 8, 2011**

R E S O L U T I O N

**Resolution T-17332. Approval of Fiscal Year 2012-2013
Universal Lifeline Telephone Service Trust Fund Budget in
Compliance with Public Utilities Code Section 273(a)**

SUMMARY

This Resolution adopts a fiscal year (FY) 2012-2013 annual budget of \$354,985,000 for the Universal Lifeline Telephone Service Trust Fund (ULTSTF). The FY 2012-2013 adopted budget is \$20.021 million less than the adopted budget of \$375,006,000 for FY 2011-2012¹.

BACKGROUND

The Commission implemented the California LifeLine (LifeLine) program, formerly known as Universal Lifeline Telephone Service (ULTS) was implemented by the California Public Utilities Commission (CPUC or Commission) in 1984 pursuant to Public Utilities (PU) Code §871. The Commission's Communication Division (CD) provides administrative oversight of the LifeLine program.

The California LifeLine program makes discounted basic telephone services available to qualifying households with incomes below approximately 150% of the federal poverty guidelines. As of a May, 2011, approximately 1.7 million California customers were enrolled in the program.

On July 1, 2006, the Commission implemented new federal rules for establishing customer eligibility for LifeLine service. Under these new rules, customers may qualify

¹ The 2011-2012 ULTS appropriation is in Item 8660-001-0471, Chapter 33, 2011 Statutes (2011 Budget Act).

for LifeLine either by participating in specific low income programs or by documenting that their income falls within LifeLine program guidelines. Qualification of customers changed from customer self-certification the carriers performed to certification of customers' eligibility by a third party administrator through Commission contract. These program changes were approved by the Commission in D. 05-04-026.

The Commission issued D. 07-05-030 on May 3, 2007, which modified General Order (GO) 153 (Procedure for Administration of the Moore Universal Telephone Service Act) to address customer confusion with the 3rd party verification process. Adopted changes to the LifeLine program included requiring additional contacts between the 3rd party administrator and potential and existing LifeLine customers, additional time for LifeLine customers to return required forms and format changes to written communications to improve their effectiveness.

On August 21, 2008, the Commission issued D. 08-08-029 which further modified the LifeLine program and GO 153. This decision adopted a "pre-qualification" process for enrolling customers in the LifeLine program. Effective July 1, 2009, customers applying for LifeLine must pay basic service rates until they qualify for the program. Once the customer becomes qualified, the customer receives a back-credit for all benefits that would have been received if the program benefits were provided as of the application date.

Resolution T-17321 revised GO 153 to incorporate changes necessary to implement the new Specific Support Amount (SSA) method of carrier reimbursement requirements adopted by Decision (D.) 10-11-033 on November 19, 2010. Resolution T-17321 also updated the California LifeLine program terminologies and includes other administrative changes, such as the removal of the claim form and Timeline for Processing California LifeLine Qualifications from GO 153. Going forward, the revised Claim Form and Timeline for Processing California LifeLine Qualifications will be maintained on the Commission's website.

The LifeLine program is funded by a surcharge assessed against intrastate charges of end-users of all telecommunications service providers in California. The current surcharge rate is 1.150%.

ULTS (LifeLine) Trust Administrative Committee Budget

The Commission's oversight of the LifeLine program is supported by the ULTS (LifeLine) Trust Administrative Committee (Committee). The Committee is comprised of carrier and consumer representatives and meets every two months to discuss various topical LifeLine program matters and to share advisory support with Commission staff.

On June 20, 2011, the ULTS Trust Administrative Committee held a public meeting and approved a proposed budget for the LifeLine program for FY 2012-2013 in the amount of \$356.9 million. This budget was submitted to the Commission in accordance with Paragraph 4.a.1 of the Committee’s Charter on June 20, 2011.

Notice/Protests

The Committee’s proposed budget was noticed on the Commission’s Daily Calendar on June 21, 2011 stating that any comments and/or protests must be made in writing and received by the Director of the Communications Division (CD) within 20 days from the posting date. CD received no comments or protests to the Administrative Committee’s proposed LifeLine budget for FY 2012-2013.

DISCUSSION

This Resolution adopts a ULTS Trust Fund budget for the California LifeLine program in the amount of \$354,985,000 for FY 2012-2013. The table below compares the adopted FY 2011-2012 budget with the FY 2012-2013 budgets proposed by the Committee, proposed by CD and adopted in this Resolution:

	FY 2011-2012	FY 2012-2013	FY 2012-2013	FY 2012-2013
	Adopted	Committee’s Proposed Budget	CD Proposed Budget	Adopted Budget
	(\$ thousands)	(\$ thousands)	(\$ thousands)	(\$ thousands)
Carrier Claims	\$348,000	\$330,000	\$330,000	\$330,000
Administrative Committee Costs	\$41	\$41	\$41	\$41
CPUC Staff and Administrative Costs	\$26,965	\$26,500	\$24,944	\$24,944
Total Program Budget	\$375,006	\$356,891	\$354,985	\$354,985

Itemized costs of the above budgets are set forth in Appendix A and discussed below:

LifeLine Budget FY 2011 -12

The FY 2011-2012 LifeLine Budget in the amount of \$375.006 million was not adopted by Commission resolution, but instead was sent to the California State Legislature for its approval. As such an itemized budget is not available for comparison purposes. The

2011-2012 ULTS appropriation is in Item 8660-001-0471, Chapter 33, Statutes of 2011 (2011 Budget Act).

LifeLine Budget Fiscal Year 2012 -13

On June 20, 2011, the ULTS Trust Administrative Committee (Committee) held a public meeting and the Committee voted to approve a projected FY 2012-2013 LifeLine Budget in the amount of \$356,891,000.

After the June 20, 2011 Committee meeting, CD made revisions to the Committee's projected budget, CD proposes a LifeLine Budget in the amount of \$354.985 million for FY 2012-2013. This proposal represents a decrease of \$20.021 million from the 2011-2012 budget of \$375.006 million and is \$1.906 million less than the FY 2012-2013 projected budget that the Committee approved.

Generally speaking, LifeLine expenditures are projected to decrease from the FY 2010-2011 to FY 2012-2013 budget for carrier claims, carrier audits, banking fees, and staff costs. (See Appendix A for comparisons) The marketing and outreach expenditures are projected to remain the same; and the functions of and budget for the public call center contract will now be incorporated into the new LifeLine Administrator (previously called 3rd party administrator) contract. Even with the public call center addition, the LifeLine Administrator expenditures are projected to decrease by approximately \$6 million. Data processing costs are projected to increase from \$50 thousand in FY 2010-2011 to \$1.308 million in FY 2012-2013. Pro Rata Interagency costs increases from \$1.203 million to \$1.906 million for the FY 2012-2013 budget.

Carrier Claims

LifeLine Carrier Claims are projected to decrease by \$18 million, from \$348 million in FY 2011-2012 to \$330 million in FY 2012-2013. CD's estimate of \$330 million is based on a number of factors including: changes specified in D. 10-11-033 and R 11-03-013; LifeLine enrollment increases of approximately 10% for wireless; current enrollment of 1.7 million as of May 2011; increases in qualifying customers not already participating in LifeLine; estimated rate changes for 2012 and 2013; and estimated increases in the Specific Support Amount reimbursement due to carrier basic service rate increases.

CPUC Staff Costs

Staff costs are expected to decrease over the FY 2010-2011 budget due to less staff time allocated from other CPUC divisions (CAB and Fiscal). Staff costs for legal, CD, Division of Water & Audits, Fiscal and information technology are projected to decrease to \$1.3 million from the \$1.84 million FY 2010-2011 Budget.

Pro Rata Interagency Costs

Pro Rata Interagency costs for FY 2012-2013 are projected to reach \$1.906 million which is 58% more than the cost for FY 2010-2011. These costs represent the program's contribution to the statewide general administrative costs of central service agencies such as the Department of Finance, Office of the State Controller, State Personnel Board, and the Legislature.

Marketing /Outreach Costs

The Committee recommended that the FY 2012-2013 budget include sufficient funds to cover additional marketing costs necessary to provide additional educational efforts to the general public about the availability of the LifeLine program, as well as targeted marketing to the hard to reach low-income communities. The Committee budget calls for \$6 million for general marketing and for marketing hard to reach participants. Marketing and Outreach programs will be funded at the same levels as in the FY 2010-2011 budget.

LifeLine Administrator w/Call Center Costs

In the new LifeLine Administrator Contract, the LifeLine Public Call Center and LifeLine Administrator (previously called the "third-party administrator") functions will be combined and as such the costs for those functions will appear as one line item cost (LifeLine Administrator w/Call Center) in the FY 2012-2013 LifeLine Budget. Even with the public call center addition, the LifeLine administrator contract is projected to decrease by approximately \$6 million.

Auditing Costs

Beginning in FY 2011-2012 staff will start using outside contractors to conduct the LifeLine audits; CD anticipates conducting audits on a cyclical basis thereby increasing the frequency of carrier audits. The budget decrease from \$1.4 million for FY 2010-2011 to \$200,000 for FY 2012-2013 reflects this proposal.

Banking Fees

Banking fees are rolled into the Pro Rata Interagency cost and are not separately identified in the FY 2012-2013 LifeLine budget.

Data Processing Automation Costs

Data Processing Automation cost are expected to increase substantially (from \$50,000 to \$1.308 million per fiscal year) over the FY 2010-2011 budget to design and implement Electronic Claims Processing. This project, still in the planning stages, will begin in FY 2011-2012 and continue into FY 2012-2013.

Administrative Committee Costs

The Administrative Committee Charter requires the Committee to meet every other month² and prescribes reimbursement for per diem and expenses to members who are not employees of carriers, the Commission, or other governmental agencies of the State of California. CD concurs with the Committee's proposed cost of \$41,000 for FY 2012-2013. This amount will cover reimbursement for five committee members and 6 meetings, and is consistent with reimbursement guidelines set forth in the Charter.

Communications Division Proposed FY 2013-2013 ULTSTF Budget

CD's proposal of \$330 million for carrier claims as discussed above is reasonable and should be adopted. CD's projection of \$41,000 in Administrative Committee expenses, as described above, is reasonable and should be adopted. CD's forecast for CPUC staff and administrative costs of \$24.944 million, as outlined above, is reasonable and should be adopted. CD's total FY 2012-2013 LifeLine Budget of \$354.985 million is reasonable and should be adopted.

COMMENTS

In compliance with PU Code Section 311(g), a Notice of Availability (Notice) was emailed to parties of record in R. 11-03-013, incumbent and competitive local exchange carriers, and members of the Committee on August 9, 2011. This Notice advises parties that the draft of this Resolution is accessible on the Commission's web site (www.cpuc.ca.gov) and is available for comments in accordance with PU Code Section 311(g).

No comments were received or filed by the parties of record during the comment period.

FINDINGS

² Charter of the Universal Lifeline telephone Service Trust Administrative Committee (ULTS Charter) Section 3.8

1. The Universal Lifeline Telephone Service (LifeLine) program was implemented by the California Public Utilities Commission (CPUC or Commission) in 1984 pursuant to Public Utilities (PU) Code §871.
2. The LifeLine program provides discounted basic telephone services to qualifying households whose incomes are below approximately 150% of the federal poverty guidelines.
3. As of May 31, 2011, 1.7 million California customers were enrolled in the program.
4. Complying with its chartered responsibility, on June 20, 2011, the Universal Lifeline Telephone Trust Administrative Committee (Committee) submitted to the California Public Utilities Commission (Commission) a proposed fiscal year (FY) 2012-2013 budget for the Universal Lifeline Telephone Service Trust Fund in the amount of \$356,891,000.
5. The Commission's Communications Division recommends a budget in the amount of \$354,985,000 for FY 2012-2013. This proposed budget is approximately \$20.021 million less than the budget for FY 2011-2012.
6. The proposed Universal Lifeline Telephone Service Trust Administrative Committee's FY 2012-2013 LifeLine budget was noticed on the Commission's Daily Calendar on June 21, 2011 stating that any comments and/or protests must be made in writing and received by the Director of the Communications Division within 20 days from the posting date. No comments or protests were received.
7. The Communications Division's proposed ULTS Trust Fund Budget of \$354,985,000 for FY 2012-2013, as set forth in Appendix A of Resolution T-17332, is reasonable and should be adopted.
8. A Notice of Availability for Resolution T-17332 was emailed on August 9, 2011, to parties of record in R. 11-03-013, incumbent and competitive local exchange carriers, and the committee members of the Administrative Committee advising them that the draft of this Resolution is accessible on the Commission's web site (www.cpuc.ca.gov) and is available for comments in accordance with PU Code Section 311(g).
9. No comments were filed or received from the parties of record.

THEREFORE, IT IS ORDERED that:

1. The Fiscal Year 2012-2013 budget for the Universal Lifeline Telephone Service Trust Fund of \$354,985,000 for the California LifeLine Program as set forth in Appendix A of this resolution is adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 8, 2011. The following Commissioners approved it:

PAUL CLANON
Executive Director

APPENDIX A

Budget for The Universal Lifeline Telephone Service Trust Fund Fiscal Year 2012-2013						
All numbers in thousands		FY 2010- 2011	FY 2011- 2012	FY 2012- 2013	FY 2012- 2013	FY 2012- 2013
		Adopted Budget	Adopted Budget	Committee Proposed Budget	CD Staff Proposed Budget	Adopted Budget
A						
1	Carrier Claims	<u>\$388,000</u>	<u>\$348,000</u>	<u>\$330,000</u>	<u>\$330,000</u>	<u>\$330,000</u>
2	Sub-Total	\$388,000	\$348,000	\$330,000	\$330,000	\$330,000
B						
1	AC-Per Diem	\$18			\$18	\$18
2	AC-Travel	\$18			\$18	\$18
3	AC-Other Costs	<u>\$5</u>			<u>\$5</u>	<u>\$5</u>
4	Sub-Total	\$41	\$41	\$41	\$41	\$41
C						
1	Staff Costs	\$1,836		\$2,000	\$1,280	\$1,280
2	Pro-Rata Interagency Cost	\$1,203		\$2,400	\$1,906	\$1,906
3	Marketing/Outreach	\$6,000		\$6,000	6,000	6,000
4	Call-Center	\$800				
5	3rd Party Administrator	\$20,000				
6	LifeLine Administrator w/Call Center			\$14,050	\$14,050	\$14,050
7	LifeLine Consultant – Contract			\$200	\$200	\$200
8	Audits	\$1,400		\$1,400	\$200	\$200
9	Banking Fees	\$5		\$50	\$0	\$0
10	Data Processing Automation	<u>\$50</u>		<u>\$750</u>	<u>\$1,308</u>	<u>\$1,308</u>
11	Sub-Total	\$31,294	\$26,965	\$26,850	\$24,944	\$24,944
D						
	<u>TOTAL PROGRAM BUDGET</u>	<u>\$419,335*</u>	<u>\$375,006**</u>	<u>\$356,891</u>	<u>\$354,985</u>	<u>\$354,985</u>

* Legislature adopted ULTS Budget of \$420.067 million.

** Legislature adopted ULTS Budget of \$375.006 million