

DRAFT

Agenda ID #8708

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

RESOLUTION T-17214
August 20, 2009

R E S O L U T I O N

Resolution T-17214. Approval of the California Teleconnect Fund Administrative Committee Budget for Fiscal Year 2010-11 (to Comply with the Requirements of Public Utilities Code Sections 273(a)).

SUMMARY

This Resolution adopts a budget of \$69.907 million for Fiscal Year (FY) 2010-11 for the California Teleconnect Fund (CTF) Program.

In addition, this resolution raises the cap on total CTF discounts available for eligible California Community Colleges, from \$7.874 million to \$8.093 million.

BACKGROUND

The CTF was adopted in Decision (D.) 96-10-066, effective October 25, 1996, to provide discounted rates for a family of telecommunications services for qualifying schools, libraries, government-owned health care providers, and other community based organizations (CBO's).

In October 1999, Public Utilities (PU) Code Sections 270-281 were enacted by Senate Bill (SB) 669 (Stats. 1999, Chapter 677). PU Code Sections 270-281 require, among other things, that the money appropriated from each of the funds 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 Policy Programs, including the CTF. In D.08-06-020, issued on June 12, 2008, the Commission found that the CTF was successfully enhancing universal service goals, and ordered several key changes to the CTF program. These changes included: (1) an expansion of CTF-eligible services, (2) the removal of tariff requirements for non-rate-of-return carriers, and (3) the inclusion of California's Community Colleges, California Telehealth Network participants and non-profit CBOs providing 2-1-1 Information and Referral Services in the CTF program.¹ Lastly, in this Decision, the Commission placed a cap of \$7.200 million per year, adjusted annually based on Western Consumer Price Index, on total CTF discounts received by California Community Colleges.

On June 23, 2009, the CTF Administrative Committee (CTF-AC) submitted a letter to the Commission's Executive Director seeking approval of a proposed budget of \$67.124 million for FY 2010-11. This budget recommendation was filed in accordance with Paragraph 4.1 of the CTF-AC charter. Details of this proposed budget can be found in Appendix A.

The CTF program is funded by a surcharge assessed by wireline and wireless carriers on consumer's intrastate telecommunication services. The current surcharge rate is 0.079%.

NOTICE/PROTESTS

Notice of the CTF Administrative Committee's proposed budget for FY 2010-11 was published in the Commission's Daily Calendar on June 30, 2009. The Communications Division (CD) did not receive any protests related to the notice.

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

DISCUSSION

1. CTF Budget

In this Resolution, the Commission adopts the CTF budget for FY 2010-11 in the amount of \$69.907 million.

Appendix A of this resolution shows the FY 2010-11 CTF budget as proposed by CD in June 2009. This budget includes sufficient funds to pay for audits, state overhead and committee expenses. Of CD's \$69.907 million proposed budget for FY 2010-11, \$66.238 million is for payments to carriers providing CTF discounted services; \$1.400 million for financial, compliance and surcharge remittance audits; \$5,000 for banking fees; \$34,000 for Advisory Committee expenses; \$686,000 for CPUC Staff Costs; \$139,000 for inter-agency costs; \$5,000 for programming and maintaining the electronic and monitoring systems; and \$1.400 million for outreach.

The majority of the CTF budget will pay for claims, which are filed by carriers, for reimbursement of monthly CTF discounts. To help develop an estimate for the claims expense, CD solicited claims forecasts for FY 2010-11 from CTF participating carriers. CD anticipates that total claims expense will increase because of several factors. First, the number of CTF participating carriers increased from 38 for the FY 2009-10 budget, to 55 for FY 2010-11. Second, CD approved a total of 725 applications in FY 2008-09, which is approximately 76% increase from approved applications in FY 2007-08. CD believes this trend may continue though FY 2010-11. Lastly, CD expects the recent program expansions mandated by D.08-06-020 to increase claims. A majority of this increase is represented in the carriers' forecasts for FY 2010-11 claims. However, CD has confirmed that carriers did not account for the eligibility of California Telehealth Network participants. Also, CD believes that the carriers have underestimated claims related to the newly eligible Internet Access services. Therefore, CD's recommendation includes an augmentation to the carriers' forecasts for claims related to the California Telehealth Network² and Internet Access services³.

² D.08-06-020 footnote No.148 states, "...payments from CTF will be less than \$650,000 per year" for expenses related to CTN.

³ CD developed an estimate of \$24.846 million for claims for Internet Access services using data collected from CTF customers and the Federal Communications Commission's E-rate program. The carriers' forecasts include only \$12.652 million for Internet access services; thus, CD recommends an augmentation of \$12.194 million to the carriers' forecasts for the FY 2010-11 budget.

CD's FY 2010-11 budget recommendation of \$69.907 million is \$9.567 million (16%) greater than the prior fiscal year's budget of \$60.340 million (Resolution T-17162). The increase is due to the following reasons:

1. Carrier claims are estimated to grow from \$58.197 million to \$66.188 million in FY 2010-11. This growth is composed of the following:
 - a. A \$7.745 million increase in expected claims as a result of increased participation and program expansions mandated by D.08-06-020.
 - b. A \$246,000 increase for underestimated carriers' claims forecasts, rate increases, and expenses related to expired appropriations.
2. Increase of \$1.365 million, from \$35,000 for FY 2009-10 to \$1.400 million for FY 2010-11, for additional audit expenses.
3. Increase of \$550,000, from \$850,000 for FY 2009-10 to \$1.400 million for FY 2010-11, for a statewide outreach campaign aimed at expanding CTF participation.
4. Finally, CD anticipates a combined decrease of \$339,000, from \$1.258 million for FY 2009-10 to \$919,000 for FY 2010-11, for expenses related to the Administrative Committee, banking, interagency fees, CPUC staffing, and program/document storage.

CD's FY 2010-11 budget recommendation is \$2.783 million more than the CTF Administrative Committee's proposed budget. The CTF-AC budgeted \$63.405 million for carriers' claims, while CD estimates \$66.188 million. CD used more up-to-date claims forecasts (provided by CTF participating carriers) as compared to those used by the CTF-AC.

2. California Community College Cap

Pursuant to D.08-06-020, the Commission raises the cap on total CTF discounts available for eligible California Community Colleges. Based on changes in the Western Consumer Price Index, the California Community College cap will increase by \$219,000, to \$8.093 million for FY 2010-11.⁴

In light of the above discussions, CD believes its proposed CTF budget of \$69.907 million for FY 2010-11, which includes a budget cap of \$8.093 million for California Community Colleges, is appropriate and reasonable. Therefore, CD respectfully recommends that the Commission adopt CD's proposal.

NOTICE OF AVAILABILITY AND COMMENTS

In the past, to comply with PU Code Section 311(g), the Commission had served a hard copy of resolutions regarding CTF budgets to all telecommunications carriers and the parties of record in R. 95-01-020/I95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, on July 21, 2009 CD e-mailed a notice letter informing telecommunications carriers serving CTF customers, members of the CTF-AC, and the parties of records in R. 95-01-020/I95-01-021 and R.06-05-028 of the availability of this draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web-site at www.cpuc.ca.gov.

FINDINGS

1. In October 1999, Public Utilities (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code Sections 270-281 require that the money appropriated from each of the funds be used only for the purpose of that fund.

⁴ D.08-06-020, Conclusion of Law No.7 states, "The Commission should limit the participation of community colleges in the CTF program to \$7.2 million per year, adjusted annually based on Western-CPI."

3. On June 12, 2008, D.08-06-020 ordered changes to the CTF, which included, among other things: (1) the expansion of eligible services, (2) the removal of the CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis, and (3) the inclusion of California's Community Colleges, California Telehealth Network participants and non-profit community based organizations providing 2-1-1 Information and Referral Services to the California Teleconnect Fund program.
4. D.08-06-020 limits the participation of California Community Colleges in the CTF program to \$7.2 million per year, starting in FY 2008-09 and adjusted annually based on Western-CPI.
5. The cap on California Community College participation in the CTF program should be increased to \$8.093 million, consistent with D.08-06-020.
6. On June 22, 2009, the CTF Administrative Committee (CTF-AC) submitted its Fiscal Year (FY) 2010-11 proposed budget of \$67.124 million, as set forth in Appendix A, to the Executive Director.
7. The California Teleconnect Fund Administrative Committee's proposed budget for FY 2010-11 was noticed in the Commissions Daily Calendar of June 30, 2009.
8. The Communications Division's (CD) proposed CTF FY 2010-11 budget of \$69.907 million, as set forth in Appendix A, is reasonable and should be adopted.
9. Telecommunications carriers serving CTF customers, members of the CTF-AC, and the parties of records in R. 95-01-020/I95-01-021 and R.06-05-028 were informed of the availability of the draft resolution, when adopted by the Commission, on the Commission web site at www.cpuc.ca.gov.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund (CTF) FY 2010-11 budget of \$69,907,000 as set forth in Appendix A of this Resolution is adopted.

2. The cap on total CTF discounts available for eligible California Community Colleges is increased from \$7.874 million for FY 2009-10 to \$8.093 million for FY 2010-11.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 20, 2009. The following Commissioners approved it:

PAUL CLANON
Executive Director

APPENDIX A
California Teleconnect Fund
Public Programs :: Expense Budget (\$000s)
FY 2010-11 :: July 1, 2010 through June 30, 2011

End of Appendix A