

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

**Telecommunications Division  
Public Programs Branch**

**RESOLUTION T-16686  
December 5, 2002**

**RESOLUTION**

RESOLUTION T-16686. REVISION OF FISCAL YEAR 2002-2003  
BUDGET AND SURCHARGE RATE FOR THE CALIFORNIA  
TELECONNECT FUND (CTF) ADOPTED IN RESOLUTION T-16548.

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**Summary**

This resolution approves a revised budget of \$59.063 million for fiscal year (FY) 2002-03 for the CTF program. This resolution also maintains the surcharge rate of 0.30% for the CTF fund through December 31, 2002 and adopts a revised surcharge rate of 0.0% beginning January 1, 2003 until further revised by the Commission.

The revised budget shall apply to program expenditures for FY 2002-3003. The revised surcharge rate shall be assessed by telecommunications carriers on end-user billings rendered on January 1, 2003 and thereafter until further notice of the Commission.

**Background**

On October 25, 2001, the California Public Utilities Commission (CPUC) in Resolution T-16548, adopted a budget of \$159.349 million for Fiscal Year (FY) 2002-03 for the CTF program as summarized in the following tabulation:

	Resolution T-16548
Claim Payments	\$156,800,000
Audits	\$2,010,000
Banking Fees	\$18,000
Committee Expenses	\$9,000
Admin Staff	\$151,000
Interagency Cost	\$361,000
Other Expenses	<u>0</u>
Total	\$159,349,000

Resolution T-16548 also adopted a surcharge rate of 0.30% effective July 1, 2002 for FY 2002-03 until revised by the Commission.

## **Discussion**

In this resolution, the Commission adopts the following:

- The revised CTF program budget for FY 2002-03 in the amount of \$59.063 million.
- The maintenance of the existing surcharge rate of 0.30% until December 31, 2002.
- A revised surcharge rate of 0.0% beginning January 1, 2003 until further revised by the Commission.

The Commission, in Resolution T-16542, required telecommunications carriers, beginning July 1, 1999, to apply the E-Rate discount before the CTF discount. In Resolution T-16542, the Commission adopted sunset dates for the CTF discounts such that claims are required to be filed no later than two years and 45 days after the claim month. The telecommunications carriers are now filing CTF claims containing E-Rate data. Estimated CTF funding needs can be reduced based on the E-Rate data.

TD estimated revised claim payments based on the adopted claims for FY 02-03, historical increases of 15% in filed claims, a weighted average E-Rate discount of 42%, and a reduction in prior claim payments of \$100 million appropriated in FY 01-02. TD estimates a decrease in CTF claim expenses from \$156.800 million to \$56.763 million.

The approved State Budget, as enacted in Chapter 379 Statutes 2002 (2002 Budget Act), appropriates \$159.490 million for fiscal year 02-03 for the CTF program.

Based on the telecommunications surcharge revenue remittances for the past fiscal year 2001-02 and the forecast of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are estimated to be \$18 billion.

The existing CTF surcharge rate of 0.30% is maintained until December 31, 2002. The resolution decreases the surcharge rate to 0.0% effective January 1, 2003 until further revised. The telecommunications carriers should retain the CTF surcharge line item on customer bills.

The maintenance of the surcharge rate at 0.30% until December 31, 2002 and its revision to 0.0% beginning January 1, 2003 will be sufficient to fund the CTF expenses of \$59.063 million.

A summary of the budget as adopted in Resolution T-16548 and the proposed revised budget is shown below:

	Resolution T-16548	2002-03 State Budget Act <sup>1</sup>	Proposed Revised Budget for FY 2002-03
Claim Payments	\$156,800,000		\$56,763,000 <sup>2</sup>
Audits	\$2,010,000		\$2,100,000
Banking Fees	\$18,000		\$30,000
Committee Expenses	\$9,000		\$9,000
Interagency Cost	\$361,000	0	0
Admin/ Staff	\$151,000	\$141,000	\$141,000
Other Expenses	0		\$20,000
Total	\$159,349,000	*\$159,490,000	\$59,063,000

<sup>1</sup> 2002-03 Budget Act adopts the administrative/staffing cost of \$141,000 and total amount of \$159,490,000  
<sup>2</sup> Excludes \$100 million for prior claim funding.

All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the CTF surcharge rate consistent with this resolution.

**Notice To Other Carriers, Advice Letter Filings, And Notice Of Availability**

In Resolution T-15558 (dated June 8, 1994), we waived the notice requirements of General Order (G.O.) 96-A, Section III.G.1. to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over two hundred notices advising them of regulatory changes about which they already knew. Since that time nothing has happened to change our opinion, so we will waive this notice requirement for tariff changes which comply with this resolution.

The Telecommunications Division oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective January 1, 2003 based on the revised adopted FY 2002-03 budgets. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.

In the past, the Commission has served a hard copy of this resolution to all telecommunications carriers and parties of record to Rulemaking (R.) 95-01-020 and Investigation (I.) 95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the Telecommunications Division has informed all telecommunications carriers and parties of record to Rulemaking (R.) 95-01-020 and Investigation (I.) 95-01-021 of the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web-site:

[www.cpuc.ca.gov](http://www.cpuc.ca.gov).

The dates for submitting any public comments are also listed on the website. The Notice of Availability also informs parties that the final resolution adopted by the Commission will be posted and available at the same web site.

TD did not receive any comments on this resolution.

## **Findings**

1. TD's estimate of the revised billing base for FY 02-03 of \$18 billion is reasonable and should be adopted.
2. TD's estimate of the revised CTF claim expense of \$56.763 million for FY 02-03 is reasonable and should be adopted.
3. TD's estimate of the revised CTF total budget of \$59.063 million for FY 02-03 is reasonable and should be adopted.
4. TD's revised surcharge rate of 0.0% beginning January 1, 2003 is reasonable and should be adopted.
5. The telecommunications carriers should retain the CTF surcharge line item on customer bills as a zero percent charge.
6. TD's estimate of an ending reserve balance of \$56.155 million for FY 02-03 is reasonable and should be adopted.
7. The telecommunication carriers are not required to notice competing utilities for tariff changes, which comply with this resolution.

8. The Telecommunications Division (TD) oversees the administration of several public programs, including CTF. For administrative efficiency, we will allow telecommunication utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.
9. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by December 20, 2002 to change the CTF surcharge rate to zero percent (0.00%) beginning on January 1, 2003 and thereafter until further revised by the Commission.
10. The draft of this resolution was mailed on November 5, 2002 to the parties on the parties of Rulemaking (R.) 95-01-020 and Investigation (I.) 95-01-021. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunication carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.

**THEREFORE, IT IS ORDERED that:**

1. A revised Fiscal Year 02 – 03 budget of \$59.063 million set forth in column C of Appendix A for the California Teleconnect Fund Program is adopted.
2. Commencing January 1, 2003, the CTF surcharge rate shall be reduced to zero percent (0.00%) and shall remain in effect until further revised by the Commission..
3. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the CTF surcharge rate to 0.00% to take effect on January 2, 2003. The telecommunication carriers are not required to notice competing utilities for tariff changes, which comply with this resolution.
4. The telecommunications carriers shall continue to itemize the CTF surcharge on customer's bills as a zero percent charge applied to billed revenues occurring January 1, 2003 and thereafter until further notice of the Commission.
5. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or

before December 20, 2002. These advice letters shall become effective January 1, 2003.

6. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the CTF surcharge rate to 0.00% to take effect on January 1, 2003.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 5, 2002. The following Commissioners approved it:

/s/ WESLEY M. FRANKLIN

WESLEY M. FRANKLIN  
Executive Director

HENRY M. DUQUE  
CARL W. WOOD  
GEOFFREY F. BROWN  
MICHAEL R. PEEVEY  
Commissioners

President Loretta M. Lynch, being necessarily absent, did not participate.

**APPENDIX A**  
**CALIFORNIA TELECONNECT FUND**  
**PROGRAM BUDGET FOR FISCAL YEAR 02-03**

\$ IN 1000		(A)	(B)	(C)
		ADOPTED	Proposed	Adopted
		FY 2002-03	Revised	Revised
		Budget (T-16548)	FY02-03 Budget	FY02-03 Budget
1	<b>BEGINNING FUND BALANCE</b>	\$116,491	\$76,303	\$76,303
<b>REVENUES</b>				
2	PROJECTED BILLING BASE	\$15,873,000	\$18,000,000	\$18,000,000
3	SURCHARGE RATE	0.30%	0.20% <sup>1</sup>	0.20% <sup>1</sup>
4	SURCHARGE REVENUE	\$47,619	\$36,000 <sup>2</sup>	\$36,000 <sup>2</sup>
<b>OTHER INCOME</b>				
5	INVESTMENT INCOME	\$0	\$2,915	\$2,915
6	INTEREST	\$0	\$0	\$0
7	PENALTY	\$0	\$0	\$0
8	TOTAL OTHER INCOME	\$0	\$2,915	\$2,915
9	<b>TOTAL REVENUE</b>	\$47,619	\$38,915	\$38,915
<b>CLAIM EXPENSE</b>				
10	CLAIM PAYMENTS	\$53,800	\$53,763	\$53,763
11	PRIOR CLAIM PAYMENTS	\$100,000	\$0	\$0
12	INTEREST PAYMENTS	\$3,000	\$3,000	\$3,000
13	TOTAL PAYMENTS	\$156,800	\$56,763	\$56,763
<b>AUDITS</b>				
14	FINANCIAL AUDIT	\$10	\$100	\$100
15	COMPLIANCE AUDIT	\$500	\$500	\$500
16	REMITTANCE AUDIT	\$600	\$600	\$600
17	CLAIMS AUDIT	\$900	\$900	\$900
18	TOTAL AUDITS	\$2,010	\$2,100	\$2,100
<b>BANKING FEES</b>				
19	TRUST	\$0	\$12	\$12
20	LOCKBOX	\$18	\$18	\$18
21	TOTAL BANKING FEES	\$18	\$30	\$30
<b>COMMITTEE EXPENSES</b>				
22	PER DIEM	\$4	\$4	\$4
23	TRAVEL & OTHER EXPENSES	\$5	\$5	\$5
24	TOTAL COMMITTEE EXPENSES	\$9	\$9	\$9
<b>ADMIN/STAFF</b>				
25	FISCAL OFFICE STAFF	\$151	\$141	\$141
26	TOTAL ADMIN/STAFF	\$151	\$141	\$141
<b>OTHER ITEMS</b>				
27	INTRA-AGENCY	\$361	\$0	\$0
28	PROGRAMMING CONSULTANT	\$0	\$20	\$20
29	ELECTRONIC STORAGE OF DOCUMENTS	\$0	\$0	\$0
30	TOTAL OTHER ITEMS	\$361	\$20	\$20
31	<b>TOTAL PROGRAM EXPENSES</b>	\$159,349	\$59,063	\$59,063
32	<b>PROJECTED ENDING BALANCE</b>	\$4,761	\$56,155	\$56,155

1 This figure represents a weighted average surcharge for FY 02-03. The surcharge rate shall be 0.0% beginning 01/01/03.

2 This figure represents 8 months of surcharge revenues at 0.30%, and 0.00% for 4 months of FY 02 - 03.