

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

RESOLUTION T-17375
September 27, 2012

R E S O L U T I O N

Resolution T-17375. Approval of the California Teleconnect Fund
Program Surcharge Rate of 0.59% Effective November 1, 2012.

SUMMARY

This resolution adopts a revised California Teleconnect Fund (CTF) program surcharge rate of 0.59% effective November 1, 2012, until further revised by the Commission. All telecommunications carriers shall assess a CTF surcharge rate of 0.59% on all revenues collected from end users for intrastate telecommunications services subject to surcharge on November 1, 2012 and thereafter.

BACKGROUND

The Commission created the CTF 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 community based organizations.

In October 1999, Public Utilities (PU) Code Sections 270-281 were enacted by Senate Bill 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 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 non-profit community based organizations providing 2-1-1 Information and Referral Services in the CTF program.¹

The CTF program is funded by a surcharge assessed on revenues collected from consumers for intrastate telecommunication services. On April 24, 2008, the Commission adopted Resolution T-17142, which reduced the CTF surcharge rate from 0.13% to 0.079%, effective June 1, 2008. The Commission has not revised the surcharge since April 24, 2008, thus the current CTF surcharge remains at 0.079%. Historical CTF surcharge rates are available online at <http://www.cpuc.ca.gov>.

DISCUSSION

The Commission's Communications Division (CD) periodically reviews universal service public program balances and surcharge rates to ensure that the programs are sufficiently funded.

The current CTF surcharge of 0.079% generates less revenue per month, than expenses paid by the program. However, in recent years, the CTF received several loan repayments from the Department of Finance, which allowed the program to meet expense obligations. Since July 1, 2011, the CTF received \$91.589 million in loan repayments, with interest, from the Department of Finance. The last installment of the loan repayment, \$21.800 million, is scheduled for later in Fiscal Year (FY) 2012-13.

On August 18, 2011, the Commission issued Resolution T-17333, which adopted a budget of \$92.234 million for the CTF for FY 2012-13.

Notwithstanding the Department of Finance's loan repayments, the current CTF surcharge is not collecting enough to meet future needs. In order for the CTF to collect sufficient funds during FY 2012-13 and 2013-14, CD recommends the Commission increase the surcharge from 0.079% to 0.59%. If the Commission revises the CTF surcharge to 0.59% (effective November 1, 2012), CD estimates that the CTF will receive \$52.876 million in surcharge revenue during FY 2012-13. CD also anticipates the CTF will collect an additional \$70.210 million from loan repayments and interest, for total revenue of \$123.086 during FY 2012-13. Furthermore, CD estimates that a revised CTF surcharge of 0.59% will generate \$93.263 million in revenue during FY 2013-14.

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

Thus, CD recommends the Commission adopt a surcharge rate of 0.59% effective November 1, 2012, to provide sufficient funding for the CTF.

All telecommunication carriers should assess a CTF surcharge rate of 0.59% on revenues collected from end users for intrastate telecommunications services subject to surcharge on November 1, 2012, and thereafter, until further ordered by the Commission.

ADVICE LETTER FILING

In Resolution T-16901, issued December 2, 2004, the Commission modified the current tariff process for revising telecommunications Public Programs surcharge rates. The new 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 October 23, 2012, to modify the CTF surcharge rate from 0.079% to 0.59%, effective November 1, 2012 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 0.59% effective on November 1, 2012 and thereafter. These concurring carriers, however, are required to implement the new CTF surcharge rate of 0.59% effective November 1, 2012.

NOTICE OF AVAILABILITY AND COMMENTS

In compliance with Public Utilities (PU) Code § 311(g), a notice letter was emailed on August 28, 2012, to all telecommunications carriers, the CTF Administrative Committee (CTF-AC), and the parties of record in R.95-01-020/I.95-01-021 informing these parties of the availability of the draft of this Resolution for public comments at the Commission's web site <http://www.cpuc.ca.gov>. This letter also informed parties that the final Resolution, adopted by the Commission, will be available at the same website.

The CD did not receive any comments regarding this resolution.

FINDINGS

1. The California Teleconnect Fund (CTF) was adopted in Decision 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 community based organizations.
2. In October 1999, Public Utilities Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
3. PU Code Section 270(b) requires that the monies in the CTF may only be disbursed pursuant to PU Code Sections 270-281 and upon appropriation in the annual Budget Act.
4. On April 24, 2008, the Commission adopted Resolution T-17142, which reduced the CTF surcharge rate from 0.13% to 0.079%, effective June 1, 2008 until further revised by the Commission.
5. On June 12, 2008, Commission D.08-06-020 ordered changes to the CTF, which included, among other things: the removal of the CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis, and the inclusion of community colleges, California Telehealth Network participants and non-profit community based organizations providing 2-1-1 Information and Referral Services to the CTF.
6. On August 18, 2011, the Commission adopted Resolution T-17333 to approve a CTF budget of \$92.234 million for fiscal year 2012-13.
7. For FY 2012-13, CD estimates the CTF will receive \$52.876 million in surcharge revenues based upon the current surcharge of 0.079% and the new surcharge rate of 0.59%, effective November 1, 2012. In addition, the fund will receive \$70.210 million from loan repayments and interest, for total revenue of \$123.086 during FY 2012-13.
8. CD estimates that the CTF will receive a total of \$93.263 million during fiscal year 2013-14, based upon the surcharge rate of 0.59% effective November 1, 2012.
9. The CTF surcharge rate of 0.59%, effective November 1, 2012, is reasonable and should be adopted.

10. All telecommunications carriers should revise the CTF surcharge rate assessed on end-user intrastate telecommunications service revenues to 0.59% beginning on November 1, 2012, and thereafter, or until otherwise directed by the Commission.
11. In accordance with Resolution T-16901, adopted December 2, 2004, AT&T should file an Advice Letter on or before October 23, 2012, modifying the CTF surcharge rate from 0.079% to 0.59% to take effect on November 1, 2012, and thereafter, or until further revised by the Commission. AT&T is not required to inform competing carriers of tariff changes which comply with this resolution.
12. In compliance with PU Code § 311(g), a notice letter was emailed on August 28, 2012, to all telecommunications carriers, the CTF Administrative Committee and the parties of record in Rulemaking 01-08-002 and Application 99-09-044 informing these parties of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov>. This letter also informed parties that the final Resolution, adopted by the Commission, will be available at the same website.
13. The CD did not receive any comments on the draft resolution.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund surcharge rate of 0.59% shall be effective November 1, 2012, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before October 23, 2012, modifying the surcharge rate for the California Teleconnect Fund from 0.079% to 0.59%, effective November 1, 2012, and thereafter, until further revised by the Commission.
3. All telecommunications carriers shall assess 0.59% surcharge rate on revenues collected from end users for intrastate telecommunications services subject to surcharge on November 1, 2012 and thereafter, until further ordered by the Commission.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 27, 2012. The following Commissioners approved it:

PAUL CLANON
Executive Director

Appendix A

CALIFORNIA TELECONNECT FUND

Projected Budgets and Revenue

Millions of Dollars

| | FY 2012-13 | | FY 2013-14 | |
|---|------------|----------------|------------|---------------|
| Budget ¹ | \$ | 92.234 | \$ | 92.429 |
| Billing Base | \$ | 15,807.342 | \$ | 15,807.342 |
| Revenue (Cash Basis) | | | | |
| Surcharge Revenue at 0.079% | \$ | 6.244 | \$ | - |
| Surcharge Revenue at 0.59% (effective 11/1/12) ² | \$ | 46.632 | \$ | 93.263 |
| Loan Repayments | \$ | 61.800 | \$ | - |
| Interest Revenue | \$ | 8.410 | \$ | - |
| Total Revenue | \$ | 123.086 | \$ | 93.263 |

¹ FY 2012-13 budget adopted in Resolution T-17333 (August 18, 2011); FY 2013-14 budget recommended by CD in revised proposed Resolution T-17377 (September 28, 2012)

² Carriers remit surcharge revenue approximately 60 days after the effective date