

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17376
September 27, 2012**

R E S O L U T I O N

**Resolution T-17376. Approval of Fiscal Year 2013-2014
Universal Lifeline Telephone Service Trust Fund Budget in
Compliance with Public Utilities Code Section 273(a)**

SUMMARY

This Resolution adopts a fiscal year (FY) 2013-2014 annual budget of \$282,753,000 for the Universal Lifeline Telephone Service Trust Fund (ULTSTF). The FY 2013-2014 adopted budget is \$72.732 million less than the adopted budget of \$354,985,000 for FY 2012-2013.

BACKGROUND

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

The CA 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, 2012, approximately 1.6 million California customers were enrolled in the program.

On July 1, 2006, the Commission implemented new federal rules for establishing customer eligibility for CA LifeLine service. Under these new rules, customers may qualify for CA LifeLine either by participating in specific low income programs or by documenting that their income falls within CA 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 Decision (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. The changes to the CA LifeLine program included requiring additional contacts between the CA LifeLine administrator and potential and existing CA 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 CA LifeLine program. Effective July 1, 2009, customers applying for CA 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 CA 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.

On June 1, 2012 a new third-party administrator, Xerox State and Local Solutions, Inc., took over the enrollment, customer notification and database requirements from the previous contractor. The new administrator also provides the California LifeLine public call center functions (formerly under a separate contract).

In February of this year, the FCC issued Order 12-11, which made fundamental changes to the federal Lifeline program. These changes include requirements for state LifeLine programs to collect the last four digits of the program participant’s social security number (SS#) and date of birth (DOB). In all circumstances (eligibility by income or program participation), applicants to the CA LifeLine Program will now be required to provide proof of eligibility. The federal program will also no longer subsidize connection charges (except for tribal customers). There are a number of other new requirements, such as a certification statement that multiple discounts at the same address represent different economic “household” units, and a one-time sweep of each state’s LifeLine customer base as of June 1, 2012.

The Commission issued Resolution T-17366 to address a number of the administrative changes ordered by the FCC. This Resolution, with some changes recommended by parties, was voted out by the Commission on July 12, 2012. The primary change to the Resolution was to implement within ninety days a “direct application process”. This new process would allow carriers to provide application forms directly to their customers (currently the CA LifeLine administrator mails forms to applicants).

Some of the other required changes as a result of FCC 12-11 will be addressed in a future resolution or proceeding. These include a decision as to which parties (the CA LifeLine administrator or the carriers) are responsible for collecting the SS# and DOB, and the fund viability (should the state make carriers whole for the connection charges that the federal program is no longer subsidizing).

The CA 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 CA 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 CA LifeLine program matters and to share advisory support with Commission staff.

On June 25, 2012, a public meeting was scheduled to approve a proposed budget for the CA LifeLine program for FY 2013-2014 in the amount of \$278.753 million. The meeting was cancelled due to a lack of quorum. The Committee Chairperson signed off on a proposed budget in a letter to the Acting Director of the Communications Division. CD staff increased one line item, the marketing/outreach line item based on information received subsequent to the Committee’s draft budget. This change is discussed below.

Notice/Protests

The Committee’s proposed budget was noticed on the Commission’s Daily Calendar on July 12, 2012 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 CA LifeLine budget for FY 2013-2014.

DISCUSSION

This Resolution adopts a ULTS Trust Fund budget for the CA LifeLine program in the amount of \$282,753,000 for FY 2013-2014, which is \$4.0 million more than the budget proposed by the Administrative Committee. The table below provides a summary comparison of the adopted FY 2012-2013 budget with the FY 2013-2014 budgets proposed by the Committee, proposed by CD and adopted in this Resolution:

	FY 2012-2013	FY 2013-2014	FY 2013-2014	FY 2013-2014
	Adopted	Committee's Proposed Budget	CD Proposed Budget	Adopted Budget
	(\$ thousands)	(\$ thousands)	(\$ thousands)	(\$ thousands)
Carrier Claims	\$330,000	\$253,200	\$253,200	\$253,200
Administrative Committee Costs	\$41	\$41	\$41	\$41
CPUC Staff and Administrative Costs	\$24,944	\$25,512	\$29,512	\$29,512
Total Program Budget	\$354,985	\$278,753	\$282,753	\$282,753

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

In summary, we are reducing the amount of forecasted carrier claims in FY 2013/14 from FY 2012/13 targeted levels to better match the actual expenditure level for claims. The CA LifeLine administrator, audit costs, marketing/outreach, and staff costs are projected to increase. Committee costs and administrative shared costs are projected to remain the same. (See Appendix A for comparisons)

Carrier Claims

The Administrative Committee has proposed an estimate of \$253.2 million in carrier claims based on a number of factors including: changes specified in D.10-11-033 and R.11-03-013; historical claims under the new Specific Support Amount (SSA) system, current enrollment of 1.6 million as of May 2012; increases in qualifying customers not already participating in CA LifeLine; estimated rate changes for 2013 and 2014; and estimated increases in the Specific Support Amount reimbursement due to carrier basic service rate increases. Staff had initially increased the estimated claims budget to \$318.0 million in anticipation of the current federal-only wireless providers obtaining permission to participate in (and claim from) the CA LifeLine program in draft decision T-17376, issued July 24, 2012. However, due to the uncertainties surrounding the CA

LifeLine proceeding (an Order modifying D. 10-11-033 and granting limited rehearing was issued on July 16, 2012) and High Cost Fund B proceeding (where the definition of basic service elements are being considered), we believe that fiscal prudence dictates that we not increase the LifeLine appropriation for a decision we cannot predict. We therefore will defer requesting a budget appropriation increase for wireless inclusion in the CA LifeLine program until such time as we have more certainty as to scope and implementation. CD proposes no changes to the Administrative Committee's proposed budget for this line item.

CPUC Staff Costs

Staff costs are expected to increase over the FY 2012-2013 budget due to more staff time allocated from other CPUC divisions (Consumer Affairs Branch and Fiscal). Staff costs for Legal Division, CD, Division of Water & Audits, Fiscal and information technology are projected to increase to \$1.393 million from the \$1.280 million FY 2012-2013 budget.

CA LifeLine Administrator with Call Center Costs

In the new CA LifeLine Administrator contract, the CA LifeLine Public Call Center and CA LifeLine administrator (previously called the "third-party administrator") functions are combined and as such the costs for those functions appear as one line item cost (CA LifeLine Administrator w/Call Center) in the FY 2013-2014 CA LifeLine budget. Even with the public call center addition, the CA LifeLine administrator contract is projected to increase by only \$0.355 million.

Auditing Costs

Beginning in FY 2011-2012 staff started using outside contractors to conduct the CA LifeLine audits. CD anticipates conducting audits on a cyclical basis thereby increasing the frequency of carrier audits. The budget increase from \$200,000 for FY 2012-2013 to \$300,000 for FY 2013-2014 reflects this proposal.

Pro Rata Interagency Costs

Pro Rata Interagency costs for FY 2013-2014 are projected to be \$1.906 million which is the same as prior year. 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 2013-2014 budget include sufficient funds to cover other marketing costs necessary to provide additional educational efforts to the general public about the availability of the CA 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. CD has increase the proposed budget by \$4 million to \$10 million total to allow for increased funding for assisting customers to fill out the application forms and address applicant education regarding program changes.

Banking Fees

Banking fees are rolled into the Pro Rata Interagency cost and are not separately identified in the FY 2013-2014 CA LifeLine budget.

Data Processing Automation Costs

Data Processing Automation cost are expected to remain the same (\$1.308 million per fiscal year) from the FY 2012-2013 budget to design and implement Electronic Claims Processing. This project, still in the planning stages, will begin in FY 2012-2013 and continue into FY 2013-2014.

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 2013-2014. This amount will cover reimbursement for five committee members and six meetings, and is consistent with reimbursement guidelines set forth in the Charter.

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, R. 06-05-028, incumbent and competitive local exchange carriers, and members of the Working Group and Committee on July 24, 2012 and the revised draft Resolution was issued on August 28, 2012. This Notice advises parties that the draft of this Resolution is accessible on the Commission's web site

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

(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 initial comment period.

FINDINGS

1. The Universal Lifeline Telephone Service (CA LifeLine) program was implemented by the California Public Utilities Commission (CPUC or Commission) in 1984 pursuant to Public Utilities (PU) Code §871.
2. As of May 31, 2012, approximately 1.6 million California customers were enrolled in the program.
3. Complying with its chartered responsibility, on July 12, 2012, the Universal Lifeline Telephone Trust Administrative Committee (Committee) submitted to the California Public Utilities Commission (Commission) a proposed fiscal year (FY) 2013-2014 budget for the Universal Lifeline Telephone Service Trust Fund in the amount of \$278,753,000.
4. The Commission's Communications Division recommends a budget in the amount of \$282,753,000 for FY 2013-2014. This proposed budget is approximately \$72.232 million less than the budget for FY 2012-2013.
5. The proposed Universal Lifeline Telephone Service Trust Administrative Committee's FY 2013-2014 CA LifeLine budget was noticed on the Commission's Daily Calendar on July 12, 2012 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.
6. A Notice of Availability for Resolution T-17376 was emailed on July 24, 2012, and reissued on August 28, 2012 to parties of record in R. 11-03-013, R. 06-05-028, 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).
7. No comments were filed or received from the parties of record during the initial comment period.

8. The Communications Division's proposed ULTS Trust Fund Budget of \$282,753,000 for FY 2013-2014, as set forth in Appendix A of Resolution T-17376, is reasonable and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The Fiscal Year 2013-2014 budget for the Universal Lifeline Telephone Service Trust Fund of \$282,753,000 for the CA 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 27, 2012. The following Commissioners approved it:

PAUL CLANON
Executive Director

APPENDIX A

Budget for The Universal Lifeline Telephone Service Trust Fund Fiscal Year 2013-2014						
All numbers in thousands		FY 2011- 2012	FY 2012- 2013	FY 2013- 2014	FY 2013- 2014	FY 2013- 2014
		Adopted Budget	Adopted Budget	Committee Proposed Budget	CD Staff Proposed Budget	Adopted Budget
A						
1	Carrier Claims	<u>\$348,000</u>	<u>\$330,000</u>	<u>\$253,200</u>	<u>\$ 253,200</u>	<u>\$253,200</u>
2	Sub-Total	\$348,000	\$330,000	\$253,200	\$ 253,200	\$253,200
B						
1	AC-Per Diem		\$18	\$18	\$18	\$18
2	AC-Travel		\$18	\$18	\$18	\$18
3	AC-Other Costs		<u>\$5</u>	<u>\$5</u>	<u>\$5</u>	<u>\$5</u>
4	Sub-Total	\$41	\$41	\$41	\$41	\$41
C						
1	Staff Costs		\$1,280	\$1,393	\$1,393	\$1,393
2	Pro-Rata Interagency Cost		\$1,906	\$1,906	\$1,906	\$1,906
3	Marketing/Outreach		\$6,000	\$6,000	\$10,000	\$10,000
4	3rd Party Administrator		\$14,050	\$14,405	\$14,405	\$14,405
5	LifeLine Consultant – Contract		\$200	\$200	\$200	\$200
6	Audits		\$200	\$300	\$300	\$300
7	Banking Fees		\$0	\$0	\$0	\$0
8	Data Processing Automation		<u>\$1,308</u>	<u>\$1,308</u>	<u>\$1,308</u>	<u>\$1,308</u>
	Sub-Total	\$26,965	\$24,944	\$25,512	\$29,512	\$29,512
D						
	<u>TOTAL PROGRAM BUDGET</u>	<u>\$375,006*</u>	<u>\$354,985</u>	<u>\$278,753</u>	<u>\$ 282,753</u>	<u>\$282,753</u>

*Legislature adopted ULTS Budget of \$375.006 million