

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

**Communications Division  
Consumer Programs Branch**

**RESOLUTION T-17414**  
October 3, 2013

**RESOLUTION**

**Resolution T-17414. Approval of the California Teleconnect Fund Administrative Committee Budget for Fiscal Year 2014-15 (July 1, 2014 through June 30, 2015) to Comply with the Requirements of Public Utilities Code Section 273(a), an Increase in the California Teleconnect Fund Appropriations Cap, and an Increase in the Total Discounts Available to Community Colleges.**

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**SUMMARY**

This Resolution adopts the following provisions for the California Teleconnect Fund (CTF) Program:

- (1) A budget of \$107,983,000 for Fiscal Year (FY) 2014-15;
- (2) An increase to the CTF appropriation cap to \$107,983,000;
- (3) A cap of \$11,379,000 for CTF discounts available to community colleges in FY 2014-15.

**BACKGROUND**

In D.96-10-066, the Commission created the California Teleconnect Fund (CTF) program, effective October 25, 1996, to provide discounted rates for advanced telecommunications services for qualifying schools, libraries, government-owned health care providers, and community based organizations (CBOs).

In May 2006, the Commission opened Rulemaking 06-05-028 to conduct a comprehensive review of the Telecommunications Public Purpose Programs, including the CTF. Subsequently, the Commission issued D.08-06-020 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 CBOs authorized to provide 2-1-1 Information and Referral Services.<sup>1</sup>

On January 31, 2013, the Commission on its own motion opened Rulemaking 13-01-010 to determine whether the CTF is fulfilling its purpose, and whether the CTF's current structure and administrative processes are adequate to further the program's goals.<sup>2</sup> In this rulemaking, the Commission will review the program goals, participant eligibility, eligible services, service provider eligibility, and budget and administrative rules. The Rulemaking may affect the budget for FY 2014-15.

The CTF program is funded by a surcharge assessed on revenues collected from end-users for intrastate telecommunications services subject to surcharge. The current CTF surcharge rate is 0.59%.<sup>3</sup>

### **CTF Budget**

Public Utilities (PU) Code Sections 270-281 was enacted in October 1999. Section 280(d) requires that the money appropriated from the CTF Administrative Committee Fund be used only for the CTF program.<sup>4</sup>

The CTF Administrative Committee (CTF-AC) is required to submit a proposed budget to the Commission on or before June 1 of each year.<sup>5</sup> The Committee submitted a letter, dated June 5, 2013, to the Commission's Executive Director seeking approval of a proposed budget of \$96,896,000 for FY 2014-15. Details of this proposed budget are set forth in Appendix A.

### **CTF Appropriations Cap**

D. 96-10-066 set the initial annual funding of the CTF at \$50 million. The CTF appropriations cap can, if necessary, be raised through a Commission resolution at any

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<sup>1</sup> CBOs providing 2-1-1 Referral and Information Services must be authorized by the Commission through a resolution process.

<sup>2</sup> R.13-01-010 Order Instituting Rulemaking to Conduct a Comprehensive Examination of the California Teleconnect Fund

<sup>3</sup> Resolution T-17375

<sup>4</sup> §280(d) Moneys appropriated from the California Teleconnect Fund Administrative Committee Fund to the commission shall be utilized exclusively by the commission for the program specified in subdivision (a), including all costs of the board and the commission associated with the administration and oversight of the program and the fund.

<sup>5</sup> California Public Utilities Code §273; CTF-AC Charter s4.1(a)

time.<sup>6</sup> On July 12, 2001, the Commission issued Resolution T-16542 to increase the fund's appropriation cap from \$50 million to \$55 million, effective July 1, 2002. The funding cap increase was based on projections of increased CTF participation, as well as the inclusion of new high speed and high cost services in the program.

Subsequently, as a result of program expansion over the years and, most recently, outreach efforts, the appropriations cap has increased over time. On October, 11, 2012, the Commission approved Resolution T-17377, which increased the funding cap from \$92,234,000 to \$92,429,000<sup>7</sup>.

### **Community College Cap**

Upon expanding the CTF to include community colleges, the Commission placed a cap on the total CTF discounts that could be granted to community colleges.<sup>8</sup> The purpose of the cap is to ensure that the eligibility of community colleges does not negatively impact the other CTF program participants.<sup>9</sup> The Commission originally set the cap at \$7,200,000 in 2007;<sup>10</sup> the cap is adjusted annually based on the Western Consumer Price Index.<sup>11</sup>

Table 1. Cap on the total CTF discounts received by Community Colleges.

<b>Fiscal Year</b>	<b>Community College Cap</b>
<b>2011-12</b>	<b>\$10,599,000</b>
<b>2012-13</b>	<b>\$10,865,000</b>
<b>2013-14</b>	<b>\$11,167,000</b>

### **Notice/Protests**

Notice of the CTF-AC's proposed budget for FY 2014-15 was published in the Commission's Daily Calendar on June 24, 2013. No parties submitted protests.

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<sup>6</sup> D.08-06-020 at 23. FN.96

<sup>7</sup> This cap did not include \$423,000 for the 8880 Financial Information System for California (State Operations)

<sup>8</sup> Id., Conclusion of Law 7.

<sup>9</sup> Id. at 28.

<sup>10</sup> Id. at 28 and Conclusion of Law 7.

<sup>11</sup> Source: Western Consumer Price Index <http://www.bls.gov/ro9/cpiwest.htm>

**Discussion**

*Department of Finance (DOF) Audit*

In 2012, auditors from the Department of Finance (DOF) conducted a budget process performance audit of six public purpose programs administered by the Communications Division (CD), including the CTF. The DOF’s audit report contained several recommendations and the Commission has followed those recommendations in the preparation of this budget resolution.

Table 2. Comparison of Historical expenses to Budget Year FY 2014-15

	Program Expenditures (In Thousands)	FY 2011-12	FY 2012-13	FY 2014-15
	a.	b.	c.	d.
	<b>Program Costs</b>			
1	Carrier Claims	\$67,169	\$71,952	\$104,605
2	Interest for Untimely Payment	\$0	\$0	\$0
3	Administrative Committee-Per Diem/Travel and Others	\$2	\$2	\$16
4	Administrative Committee-Special Needs Accommodation	\$2	\$2	\$8
5	Audits	\$0	\$800	\$678
6	Banking Fee	\$0	\$0	\$0
7	Interagency	\$52	\$340	\$811
8	CPUC Staff	\$798	\$610	\$888
9	Programming and Document Storage (Claims Automation)	\$0	\$0	\$38
10	Outreach	\$507	\$485	\$500
11	Travel	\$0	\$0	\$6
<b>12</b>	<b>8660-0493 Public Utilities Commission (State Operations) (Total for lines 1-11)</b>	<b>\$68,530</b>	<b>\$74,191</b>	<b>\$107,550</b>
<b>13</b>	<b>0840 State Controller (State Operations)</b>	<b>\$7</b>	<b>\$10</b>	<b>\$10</b>
<b>14</b>	<b>8880 Financial Information System for California (State Operations)</b>	<b>\$0</b>	<b>\$493</b>	<b>\$423</b>
<b>15</b>	<b>Total Program Expenditures</b>	<b>\$68,537</b>	<b>\$74,694</b>	<b>\$107,983</b>

**Notes:** Source: Cal Stars Q16 as of May 31, 2013 and the June 30, 2012 report, unless noted otherwise

1(b). FY 11/12 claims data was annualized based on CD’s claim data.

1(c). Includes paid claims of \$35,282,000, claims accruals of \$36,608,000 and Mission Consulting costs of \$49,979.

7(c). Interagency includes DOF audit of \$17,994

8(b) & (c). Total of all administrative expenses

CTF Budget Development Process

As shown in Table 2 above, CD estimates a FY 2014-15 budget of \$107,983,000, based on the costs for the program components: carrier claims; audits; outreach; claim automation IT project; Administrative Committee; Inter-Agency Fee; CPUC staff; staff travel; and appropriations that will be established in the 2014 Budget Act for a portion of the State Operations in 0840 State Controller and 8880 Fiscal Information System for California (FisCAL).

In developing the FY 2014-15 budget, CD considered a number of factors including historical expenses from the prior two recorded years, as shown in Table 2.

Carriers Claims (line 1)

More than 90% of the CTF budget is allotted to carrier claims. The Commission reimburses carriers for discounts given to CTF participants. The Communications Division's (CD's) carrier claims projections consider a number of factors; including carriers' claim forecasts, customer and service reports, and CD's historical claims data. CD uses trend analysis to evaluate the carriers' forecasts and modifies those forecasts as needed based on its own claims projections.

FY 2011-12 and FY 2012-13 historical claims are estimated at \$67,169,000 and \$71,952,000 respectively. CD's claim projection for FY 2014-15 of \$104,605,000 is higher than prior years due to anticipated program growth. CD's projections are based on analysis of the carriers' claims forecast with an augmentation that is primarily as a result of outreach efforts.

Audits (line 5)

Audit expenses are estimated at \$678,000 (line 5(d)) for FY 2014-15. This expense decreased for the FY 2014-15 as compared to prior year due to the new cost allocation methodology based on surcharge revenues. Audits were not performed in FY 2011-12. The audit expense is intended to allow for a greater number of carrier audits to examine claims and surcharge remittances in accordance with P.U. Code Section 274.

Outreach (line 10)

The Outreach expense for FY 2014-15 is estimated at \$500,000 (line 10(d)). This expense increase allows continued outreach and marketing efforts in FY 2014-15.<sup>12</sup> CD used the average of the prior year's expenses to project the outreach budget for FY 2014-15.

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<sup>12</sup> D.08-06-020, O.P. 11

Program Claim Automation (line 9)

The Administrative Services Division and CD allocated \$38,277 for FY 2014-15 line 9(d) to develop a new automated claims system for public purpose programs including the CTF. This new program is intended to bring greater efficiency to universal service programs.

Travel Costs (line 11)

Staff plans to travel in-state to support the program. These trips are primarily used for visiting CTF participants to see if they are meeting program objectives. Travel estimates include in-state airfare, hotel, per diem, gas, meals, etc. Total travel costs are projected at \$6,000.

Administrative Committee Costs (line 3 and 4)

The Administrative Committee Costs is \$24,000 (line 3 (d)), and is based on expected expenditures for six CTF AC committee meetings in FY 2014-15. This estimate is greater than the actual in (line 3 & 4 (b) and (c)), fiscal years during which only two meetings were held. For FY 2014-15 CD anticipates six AC meetings due to the CTF Rulemaking, OIR 13-01-010.

Inter-Agency Fee (line 7)

The Inter-agency fee budget for FY 2014-15 is \$811,000 and includes costs charged to the CTF fund for services rendered by other State agencies. Compared to FY 2012-13, the forecast has increased by approximately \$470,000.

CPUC Staff expense (line 8)

CPUC staff expense is \$888,000 for FY 2014-15, (line 8 (d)).

0840 State Controller (State Operations) Costs (line 13)

This item appropriates funds for the State Controller's Office. For FY 2014-15, staff used the most recent amount for FY 2012-13 which is \$10,000 (line 13 (d)). The cost for FY 2013-14 was unavailable.

8880 Fiscal Information System for California (line 14)

This item appropriates funds for the Financial Information System for California (FisCal). FisCal is an information technology (IT) project managed by a partnership of Department of Finance, the State Treasurer's Office, the State Controller's Office, and the Department of General Services. The purpose of this project is to create and implement a new statewide financial system. The budget For FY 2014-15 is \$423,000 (line 11(d)) as estimated in the governor's budget for FY 2013-14.

Total Program Expenses

Total forecasted expenses for FY 2014-15 are \$107,983,000. This indicates an increase of 16.3% compared to the last year's budget. Appendix A compares CD's forecasted FY 2014-15 expense budget versus the FY 2013-14 expense budget adopted by the Commission. The CTF program has increased tremendously over time. CD staff believes that the rise in total claims expense is due to increased awareness of the CTF program, resulting in increased participation. There has been continuous growth in CTF applications received. CD staff approved over 1,800 applications during FY 12-13, and believes the program will continue to grow through FY 14-15.

CD Proposal vs. CTF-AC Proposal

CD's budget recommendation for FY 2014-15 is \$107,983,000, which is 11.4% higher than Administrative Committee's proposed budget of \$96,896,000. CD based its estimates on more recent data.

**Increase in CTF Appropriations Cap**

Due to increases in carrier claims, the proposed CTF Budget of \$107,983,000 exceeds the \$92,429,000 cap set by Resolution T-17377, adopted on October, 11, 2012. CD staff recommends the CTF appropriations cap be raised to \$107,983,000, to accommodate program expenses beginning with FY 2014-15.<sup>13</sup>

**Community College Cap**

Cap for FY 2014-15

In D.08-06-020, the Commission expanded the CTF program to include community colleges, with a cap on total community college claims.<sup>14</sup> Resolution T-17377 provided that CD staff could recommend changes to the community college cap according to changes in the Western Consumer Price Index. Following a review of the cap to consider inflation, CD recommends the California Community College cap increase by \$211,000, to \$11,379,000 for FY 2014-15.

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<sup>13</sup> See D.08-06-020, Finding of Fact 4.

<sup>14</sup> Id. at 27-28.

## **Conclusion**

Based on the discussions above, the Commission agrees with the CD and finds the following provisions are reasonable and should be adopted:

- (1) A total CTF expense budget of \$107,983,000 for FY 2014-15; composed of \$107,550,000 for 8660 Public Utilities Commission (State Operations), \$10,000 for 0840 State Controller (State Operations) and \$423,000 for 8880 Financial Information System for California (State Operations).
- (2) A CTF appropriations cap increase from \$92,429,000 to \$107,983,000;
- (3) A Community college cap increase from \$11,167,000 to \$11,379,000; as the total CTF discounts available for community colleges in FY 2014-15.

The FY 2014-15 budget adopted today is subject to final appropriations adopted in the Budget Act of 2014 for 8660 Public Utilities Commission (State Operations), 0840 State Controller (State Operations) and 8880 Financial Information System for California (State Operations).

The appropriations adopted in the Budget Act of 2014, if different from the adopted FY 2014-15 budget, will supersede the FY 2014-15 Budget adopted in this resolution

## **Safety Consideration**

This Resolution ensures that there is adequate funding, at an appropriate level, to support the CTF program budgetary expenditures. The CTF program helps to promote universal service by subsidizing advanced communications services of qualified anchor institutions, which also can enhance the safety of these entities.

## **Notice of Availability and Comments**

In compliance with PU Code § 311 (g), the Commission e-mailed on September 3, 2013, 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, R.06-05-028 and R.13-01-010 of the availability of this revised draft resolution for comments, as well as the availability of the conformed resolution, if adopted by the Commission, on the Commission website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

No comments were filed.



## Findings

1. The CTF was adopted in D.96-10-066, effective October 25, 1996, to provide discounted rates for advanced telecommunications services for qualifying schools, libraries, government-owned health care providers, and community based organizations.
2. Rulemaking 13-01-010 will review program goals, participant eligibility, eligible services, service provider edibility, and budget and administrative rules. The Rulemaking may affect the budget for FY 2014-15.
3. Public Utilities Code Sections 280(d) requires that the money appropriated from the CTF funds be used only for the purpose of the program.
4. The CTF cap can, if necessary, be raised by Commission resolution at any time. On July 12, 2001, the Commission issued Resolution T-16542 to increase the fund's appropriation cap from \$50 million to \$55 million.
5. On October 11, 2012, the Commission issued Resolution T-17377 to increase the fund's appropriation cap from \$92,234,000 to \$92,429,000.
6. D.08-06-020 limits the participation of community colleges in the CTF program to \$7.2 million per year, adjusted annually based on Western-CPI.
7. In a letter dated June 5, 2013, the CTF Administrative Committee submitted to the Executive Director a proposed budget of \$96,896,000 for Fiscal Year 2014-15.
8. The California Teleconnect Fund Administrative Committee's proposed budget for Fiscal Year 2014-15 was noticed in the Commissions Daily Calendar of June 24, 2013.
9. In 2012, the Department of Finance conducted a budget process performance audit of six public purpose programs administered by the Communications Division including the CTF.
10. Final appropriations for 0840 State Controller (State Operations) and 8880 Financial Information System for California (State Operations) will be determined when the Budget Act of 2014 is approved by the Legislature and the Governor.

11. Communications Division's proposed FY 2014-15 expense budget of \$107,983,000, composed of \$107,550,000 for 8660 Public Utilities Commission (State Operations), \$10,000 for 0840 State Controller (State Operations) and \$423,000 for 8880 Financial Information System for California (State Operations) is reasonable and should be adopted.
12. The FY 2014-15 budget adopted today is subject to final appropriations adopted in the Budget Act of 2014 for 8660 Public Utilities Commission (State Operations), 0840 State Controller (State Operations) and 8880 Financial Information System for California (State Operations).
13. The appropriations adopted in the Budget Act of 2014, if different from the adopted FY 2014-15 budget, will supersede the FY 2014-15 Budget adopted in this resolution.
14. In compliance with PU Code § 311 (g), the Commission e-mailed on September 3, 2013, 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, R.06-05-028 and R.13-01-010 of the availability of this revised draft resolution for comments, as well as the availability of the conformed resolution, if adopted by the Commission, on the Commission website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).
15. No comments were filed.

**THEREFORE, IT IS ORDERED that:**

1. The expense budget for the California Teleconnect Fund Administrative Committee Fund for Fiscal Year 2014-15 in the amount of \$107,983,000 composed of \$107,550,000 for 8660 Public Utilities Commission (State Operations), \$10,000 for 0840 State Controller (State Operations) and \$423,000 for 8880 Financial Information System for California (State Operations) is adopted.
2. Communications Division staff is authorized to modify the FY 2014-15 expense budget adopted today to conform to the final appropriations adopted in the Budget Act of 2014 for 8660 Public Utilities Commission (State Operations), 0840 State Controller (State Operations) and 8880 Financial Information System for California (State Operations).

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 3, 2013, the following Commissioners approved it:

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PAUL CLANON  
Executive Director

## Appendix A

California Teleconnect Fund  
Program Budget  
Fiscal Year 2014-2015: July 1, 2014 through June 30, 2015  
(Numbers in Thousands)

	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 14-15</b>
	Resolution T-17377	Submitted by AC	Proposed by CD
<b>PROGRAM EXPENDITURES</b>			
<b>A.</b> Carrier Claims	\$86,646	\$90,000	\$104,605
<b>B.</b> Interest for Untimely Payment	\$50	\$50	\$0
<b>C.</b> Administrative Committee-Per Diem/Travel and Others	\$26	\$26	\$16
<b>D.</b> Administrative Committee-Special Needs Accommodation	\$8	\$8	\$8
<b>E.</b> Audits	\$750	\$1,400	\$678
<b>F.</b> Banking Fee	\$0	\$5	\$0
<b>G.</b> Interagency	\$289	\$56	\$811
<b>H.</b> CPUC Staff	\$1,112	\$804	\$888
<b>I.</b> Programming and Document Storage (Claims Automation)	\$2,148	\$3,147	\$38
<b>J.</b> Outreach	\$1,400	\$1,400	\$500
<b>K.</b> Travel			\$6
8660-0493 Public Utilities Commission (State Operations)	<b>\$92,429</b>	<b>\$96,896</b>	<b>\$107,550</b>
0840 State Controller (State Operations)	<b>\$0</b>		<b>\$10</b>
8880 Financial Information System for California (State Operations)	<b>\$423</b>		<b>\$423</b>
<b>Total Program Expenditures</b>	<b>\$92,852</b>		<b>\$107,983</b>