

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17442
August 14, 2014**

RESOLUTION

**Resolution T-17442. Approval of the California Teleconnect Fund Program
Surcharge Rate of 0.93% Effective October 1, 2014.**

SUMMARY

This resolution adopts a revised California Teleconnect Fund (CTF) program surcharge rate of 0.93% effective October 1, 2014, until further revised by the California Public Utilities Commission. The current CTF surcharge rate is 0.59%. All telephone corporations and interconnected Voice over Internet Protocol (VoIP) service providers shall apply this new CTF surcharge rate on revenues collected from end-users for intrastate telecommunications services subject to surcharge effective October 1, 2014 and thereafter.¹

BACKGROUND

In Decision (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).

Public Utilities (PU) Code Sections 270-281 were enacted in October 1999. Section 280(d) requires that the money appropriated from the California Teleconnect Fund Administrative Committee Fund 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 Purpose Programs including the CTF. Subsequently, the Commission D.08-06-020 on June 12, 2008, 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-

¹ We apply this directive to VoIP providers pursuant to Public Utilities Code section 285.

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.²

On January 31, 2013, the Commission on its own motion opened Rulemaking (R.)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.³ In this rulemaking, the Commission will review the program goals, participant eligibility, eligible services, service provider eligibility, and budget and administrative rules.

The CTF program is funded by a surcharge assessed on revenues collected from end-users for intrastate telecommunications services subject to surcharge. On October 15, 2012, the Commission adopted Resolution T-17375, which increased the CTF surcharge rate from 0.079% to 0.59% to meet forecasted CTF budget requirements. Historical CTF surcharge rates are available online at <http://www.cpuc.ca.gov/PUC/Telco/Consumer+Information/surcharges.htm>.

DISCUSSION

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

On October 3, 2013, the Commission issued Resolution T-17414, which adopted a budget of \$107.983 million for the CTF for Fiscal Year (FY) 2014-15. If the current surcharge rate remains at 0.59%, CD estimates that the CTF would not be able to meet the budgeted program expenses for the FY 2014-15.

In order for the CTF to collect sufficient funds for the FY 2014-15, CD recommends the Commission increase the surcharge from 0.59% to 0.93%. This surcharge increase is needed not only to accommodate the increase in CTF expenses, but also to account for changes in the billing base on which the surcharge is assessed. CD's analysis of the historical billing base shows a declining trend. CD forecasts a billing base of \$13.444 billion for FY 14-15 and of \$12.842 billion for FY 15-16. (See Appendix A) If the

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

³ R.13-01-010 Order Instituting Rulemaking to Conduct a Comprehensive Examination of the California Teleconnect Fund.

Commission revises the CTF surcharge to 0.93% effective October 1, 2014, CD forecasts that CTF will receive \$113.602 million in surcharge revenues during FY 2014-15. The revised rate would allow CTF to meet the budgeted expenditure obligations for the FY 2014-15.

The proposed 0.93% surcharge will also accommodate a FY 15-16 budget of at least \$115.8 million. CD has not yet developed a budget for FY 2015-16. However, the CTF Administrative Committee has estimated a budget for FY 2015-16 of \$115.8 million. The proposed surcharge will be sufficient to cover CTF Administrative Committee's proposed budget for FY 15-16. (See Appendix A)

CD recommends that the Commission adopt a surcharge rate of 0.93%, effective October 1, 2014, to provide sufficient funding for the CTF.

All telephone corporations and interconnected VoIP service providers should assess a CTF surcharge rate of 0.93% on all rates and charges for intrastate telecommunications services subject to surcharge beginning October 1, 2014, and thereafter, until further ordered by the Commission.

ADVICE LETTER FILING

In Resolution T-16901, issued December 2, 2004, the Commission modified the tariff process for revising telecommunications Public Programs surcharge rates. The revised 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 Purpose 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 September 2, 2014, to modify the CTF surcharge rate from 0.59% to 0.93%, effective October 1, 2014 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 0.93% effective on October 1, 2014 and thereafter. These concurring carriers, however, are required to implement the new CTF surcharge rate of 0.93% effective October 1, 2014.

SAFETY ISSUES

This Resolution ensures adequate funding, at an appropriate level, to support the CTF program budgetary expenditures. The CTF program helps to promote universal service by providing eligible participants with discounts on advanced communications services which help enhance the safety of these entities and the constituents they serve.

COMMENTS

In compliance with PU Code § 311 (g), the Commission e-mailed on July 15, 2014, a notice letter informing all telephone corporations, members of the CTF-AC, and the parties of records in R. 13-01-010 of the availability of this draft resolution for comments, as well as the availability of the final resolution, if adopted by the Commission, on the Commission website at www.cpuc.ca.gov.

Cox Communications filed comments suggesting a modification to the wording for the paragraph relating to safety issues. After consideration, the suggested paragraph was inserted into this resolution replacing the original paragraph.

FINDINGS

1. The California Teleconnect Fund (CTF) was adopted in Decision 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. Public Utilities Code Section 280(d) requires that the money appropriated from the CTF funds be used only for the purpose of the program.
3. Rulemaking 13-01-010 will review program goals, participant eligibility, eligible services, service provider eligibility, and budget and administrative rules.
4. On October 15, 2012, the Commission adopted resolution T-17375, which increased the CTF surcharge rate from 0.079% to 0.59%, effective December 1, 2012 until further revised by the Commission.
5. On October 3, 2013, the Commission adopted Resolution T-17414 to approve a CTF budget of \$107.983 million for fiscal year 2014-15.

6. The CTF budget for FY 2015-16 has not yet been adopted by the Commission. The CTF Administrative Committee estimated the FY 2015-16 budget to be \$115.8 million.
7. For FY 2014-15, CD forecasts that the CTF will receive \$113.602 million in surcharge revenues.
8. CD estimates that the CTF will receive surcharge revenues of \$119.431 million during fiscal year 2015-16 based upon the surcharge rate of 0.93% effective October 1, 2014.
9. The CTF surcharge rate of 0.93%, effective October 1, 2014, is reasonable and should be adopted.
10. All telephone corporations and interconnected VoIP service providers should revise the CTF surcharge rate assessed on end-user intrastate telecommunications service revenues to 0.93% beginning on October 1, 2014, and thereafter, or until otherwise directed by the Commission.
11. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter by September 2, 2014, modifying the CTF surcharge rate from 0.59% to 0.93%, until further revised by the Commission.
12. In compliance with PU Code § 311 (g), the Commission e-mailed on July 15, 2014, a notice letter informing all telephone corporations, members of the CTF-AC, and the parties of record in 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.
13. Cox Communications filed comments on the resolution suggesting alternate wording for the paragraph on safety issues. The comments were incorporated as appropriate into this resolution. No reply comments were received.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund surcharge rate of 0.93%, effective October 1, 2014 and thereafter, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before September 2, 2014, modifying the surcharge rate for the California Teleconnect Fund from 0.59% to 0.93%, effective, October 1, 2014, and thereafter, until further revised by the Commission.
3. All telephone corporations and interconnected VoIP service providers shall assess a CTF surcharge rate of 0.93% on revenues collected from end users for intrastate telecommunications services subject to surcharge on October 1, 2014, and thereafter, until further ordered by the Commission.

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission as its regular meeting on August 14, 2014, the following Commissioners approved it:

PAUL CLANON
Executive Director

Appendix A

CALIFORNIA TELECONNECT FUND
Projected Budgets and Revenue
Millions of Dollars

	FY 2014-15		FY 2015-16	
Beginning Balance ¹	\$	2.945	\$	8.564
Budget ²	\$	107.983	\$	119.460
Billing Base	\$	13,444.000	\$	12,842.000
Revenue				
Surcharge Revenue at 0.59%	\$	19.830	\$	-
Surcharge Revenue at 0.93% (effective 10/1/14)	\$	93.772	\$	119.431
Total Revenue	\$	113.602	\$	119.431
Ending Balance	\$	8.564	\$	8.534

¹ Beginning Balance from Governor's May Revised Budget for FY 14-15.

² FY 2014-15 budget adopted in Resolution T-17414, October 3, 2013; FY 2015-16 budget resolution has not been drafted by CD at this time. The FY 15-16 budget is based on the CTF-Advisory Committee's July 21, 2014 budget letter, corrected for typographic error to comport with approved minutes of the June 13, 2014 Advisory Committee meeting, when the AC budget was adopted.