

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17460
November 20, 2014**

RESOLUTION

**Resolution T-17460. Approval of the California LifeLine Program¹
Surcharge Rate of 2.40%, Effective January 1, 2015.**

SUMMARY

This resolution adopts a revised California LifeLine (CA LifeLine) program surcharge rate of 2.40%, effective January 1, 2015, until further revised by the California Public Utilities Commission. The current CA LifeLine surcharge rate is 1.15%. All telecommunications carriers and interconnected Voice over Internet Protocol (VOIP) service providers shall change the CA LifeLine surcharge rate assessed on revenues collected from end users for intrastate telecommunications services subject to surcharge from 1.15% to 2.40% effective January 1, 2015, and thereafter.²

BACKGROUND

The California Public Utilities Commission (Commission or CPUC) implemented the California 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) administers the CA LifeLine program.

The CA LifeLine program provides discounted residential basic telephone services and cell phone services to low-income households with incomes below approximately 150% of the federal poverty guidelines or enrolled in qualifying public benefits programs. As of July 31, 2014, approximately 1 million customers³ were enrolled in the CA LifeLine program.

¹ The program fund is statutorily referred to as the Universal LifeLine Telephone Service Trust Fund Administrative Committee Fund, pursuant to Public Utilities Code Sections 270 and 277, but is commonly known as the California LifeLine Program.

² We apply this directive to VoIP providers pursuant to Public Utilities Code section 285.

³ Of the 1 million customers, 928,309 and 136,638 were wireline and wireless subscribers, respectively.

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 public benefits programs or by documenting that their income falls within CA LifeLine program guidelines. The method for certifying customer qualification changed from customer self-certification processed by carriers 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.

On May 3, 2007, the Commission issued D.07-05-030, which modified General Order (GO) 153 (Procedure for Administration of the Moore Universal Telephone Service Act) to address customer confusion with the third 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 CA LifeLine program and GO 153. This decision adopted a "pre-qualification" process for enrolling customers in the CA LifeLine program. Effective July 1, 2009, applicants must pay basic service rates until they qualify for the program. Once deemed 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.

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

In 2012, the FCC issued Order 12-11, which made fundamental changes to the federal Lifeline program including elimination of connection charges subsidy (except for tribal customers). FCC Order 12-11 also adopted new requirements for state LifeLine programs including, but not limited to:

- to collect the last four digits of the program participant's social security number (SS#) and date of birth (DOB);
- to require applicants to provide proof of public benefits program participation or eligibility by income;
- to perform identity checks on all new applicants;

- to perform a one-time sweep of each state's LifeLine customer base as of June 1, 2012; and
- to require participants to complete a certification statement that if multiple discounts are offered at the same address that different economic "household" units exist.

On January 27, 2014, the Commission issued D.14-01-036, which expanded and modernized the California LifeLine Program, as well as authorized the voluntary participation of wireless service providers in the Program. Today, a low-income eligible household may subscribe to either a wireline or wireless service plan that includes voice, text, and data at discounted and affordable rates.

The CA LifeLine program is funded by a surcharge assessed against intrastate charges of end-users of all telephone corporations and interconnected VOIP service providers in California. On March 1, 2007, the Commission adopted a surcharge rate of 1.15% in Resolution T-17071, which has been in effect since April 1, 2007. Historical CA LifeLine 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. CD strives to maintain a program fund level with a reserve covering approximately three to four months of monthly expenditures. This reserve strikes a reasonable balance between the need to have sufficient liquidity in the fund to cover program expenditures and the desire to not overburden ratepayers by collecting too much in program surcharges.

On October 3, 2013, the Commission issued Resolution T-17407, which adopted a budget of \$202.594 million for the CA LifeLine Fund for Fiscal Year (FY) 2014-15. If the current surcharge rate remains at 1.15%, CD estimates that the CA LifeLine Fund would be unable to meet the budgeted program expenses for FY 2014-15.

In order for the CA LifeLine Fund to collect sufficient funds for the FY 2014-15, CD recommends that the Commission increase the surcharge from 1.15% to 2.40%. This surcharge increase is needed to accommodate the increase in CA LifeLine expenses, primarily due to increase in Carrier Claims by wireless service providers. In determining the surcharge revenues, CD applied a billing base of \$14.061 billion for FY

14-15 and for FY 15-16. (See Appendix A.) If the Commission revises the CA LifeLine Fund surcharge to 2.40% effective January 1, 2015, CD forecasts that CA LifeLine Fund will receive approximately \$249.583 million in surcharge revenues during FY 2014-15. The revised surcharge rate would allow CA LifeLine to meet the budgeted expenditure obligations for FY 2014-15. CD estimates CA LifeLine monthly expenditures to be about \$22 million for FY 2014-15. Hence, the ending CA LifeLine fund balance for FY 2014-15 is forecasted at approximately \$97 million, as shown in Appendix A, which is within CD's targeted total balance of three to four months of monthly expenditures.

The proposed 2.40% surcharge rate will also accommodate a FY 15-16 budget of approximately \$337.464 million. CD estimates a total budget for FY 2015-16 of \$345.414 million, with monthly expenditures of approximately \$30 million. The ending CA LifeLine fund balance for FY 2015-16 is forecasted at approximately \$89 million, as shown in Appendix A, which is within CD's targeted total balance of three to four months of monthly expenditures.

Therefore, CD recommends that the Commission adopt a surcharge rate of 2.40%, effective January 1, 2015, to provide sufficient funding for the CA LifeLine program.

All telecommunications carriers⁴ and interconnected VoIP service providers⁵ shall assess a CA LifeLine surcharge rate of 2.40% on their revenues collected from end users for intrastate telecommunications services subject to surcharge effective January 1, 2015, until further directed 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 became effective with surcharge rates and reimbursement fees implemented on January 1, 2015, and thereafter, until further revised by the Commission. In accordance with Resolution T-16901, AT&T California should file an advice letter on or before December 22, 2014, to modify the CA LifeLine surcharge rate from 1.15% to 2.40%, effective January 1, 2015, 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 already be cross-referenced to AT&T

⁴ See PU Code § 275.

⁵ See PU Code § 285(c).

California's tariff for all future changes in the Public Program surcharges, including the CA LifeLine Fund. Therefore, these carriers are not required to file an advice letter reflecting the new surcharge rate of 2.40%, effective on January 1, 2015 and thereafter. These concurring carriers, however, are required to implement the new CA LifeLine surcharge rate of 2.40%, effective January 1, 2015. All interconnected VoIP service providers are similarly required to revise and implement the CA LifeLine surcharge rate.

SAFETY ISSUES

The carriers that provide Lifeline benefits to their customers are required to adhere to all Commission rules, decisions, General Orders and statutes including Public Utilities Code § 451 to take all actions "...necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public." The CA LifeLine program helps to promote universal service by subsidizing essential communications links to low-income and at-risk individuals throughout California.

CA LifeLine program allows participants to have access to 211 for essential community services, 311 for non-emergency municipal services, 511 for traffic and transportation information, 711 for relay services, 811 for public infrastructure underground location information, and 911 to reach police, fire and emergency medical responders when fire, natural disasters, medical emergencies, or other crises occur. This Resolution ensures that there is adequate funding, at an appropriate level, to support the CA LifeLine program budgetary expenditures, which help and enhance the safety of Californians, particularly eligible low-income households.

In light of the preceding paragraphs, CD believes that the 2.40% surcharge rate on intrastate telecommunications revenues, effective January 1, 2015, is reasonable and should be adopted.

COMMENTS

In compliance with PU Code § 311 (g), the Commission e-mailed on October 20, 2014, a notice letter informing all telephone corporations, members of the CA LifeLine Administrative Committee, and the parties of records in R. 11-03-013 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.

FINDINGS

1. The California LifeLine Program (CA LifeLine), known as the Universal Lifeline Telephone Service program, was implemented by the California Public Utilities Commission (CPUC or Commission) in 1984 pursuant to Public Utilities (PU) Code § 871.
2. On March 1, 2007, the Commission adopted a surcharge rate of 1.15% in Resolution T-17071, which has been in effect since April 1, 2007.
3. On October 3, 2013, the Commission adopted Resolution T-17407 approving a CA LifeLine budget of \$202.594 million for fiscal year (FY) 2014-15.
4. The CA LifeLine budget for FY 2015-16 has not yet been adopted by the Commission. CD estimates the FY 2015-16 budget to be approximately \$345.414 million.
5. In determining the surcharge revenues, CD applied a billing base of \$14.061 billion for FY 14-15 and for FY 15-16.
6. For FY 2014-15, CD forecasts that the CA LifeLine Fund will receive \$249.583 million in surcharge revenues.
7. CD estimates that the CA LifeLine will receive surcharge revenues of \$337.464 million during FY 2015-16 based upon the surcharge rate of 2.40%, effective January 1, 2015.
8. The CA LifeLine surcharge rate of 2.40%, effective January 1, 2015, is reasonable and should be adopted.
9. All telecommunications carriers and interconnected VoIP service providers should revise the CA LifeLine surcharge rate assessed on intrastate telecommunications service revenues to 2.40%, effective January 1, 2015, and thereafter, until further directed by the Commission.
10. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter by December 22, 2014, modifying the CA LifeLine surcharge rate from 1.15% to 2.40%, until further revised by the Commission.

11. In compliance with PU Code § 311 (g), the Commission e-mailed on October 20, 2014, a notice letter informing all telephone corporations, members of the CA LifeLine Administrative Committee, and the parties of record in R.11-03-013 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.

THEREFORE, IT IS ORDERED that:

1. The California LifeLine Fund surcharge rate of 2.40%, effective January 1, 2015, and thereafter, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before December 22, 2014, modifying the surcharge rate for the California LifeLine Fund from 1.15% to 2.40%, effective January 1, 2015, and thereafter, until further revised by the Commission.
3. All telecommunications carriers and interconnected VoIP service providers shall revise the California LifeLine surcharge rate assessed on revenues collected from end users for intrastate telecommunications services, subject to surcharge, from 1.15% to 2.40%, effective January 1, 2015, and thereafter, until further revised 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 November 20, 2014, the following Commissioners approved it:

PAUL CLANON
Executive Director

Appendix A

California LifeLine Fund Projected Budgets and Revenue *Millions of Dollars*

	FY 2014-15	FY 2015-16
Beginning Balance ¹	\$ 50.020	\$ 97.009
Budget ²	\$ 202.594	\$ 345.414
Billing Base	\$14,061.000	\$14,061.000
Revenue		
Surcharge Revenue at 1.15%	\$ 80.851	
Surcharge Revenue at 2.40% (effective 1/1/15)	\$ 168.732	\$ 337.464
Total Revenue	\$ 249.583	\$ 337.464
Ending Balance	\$ 97.009	\$ 89.059

¹ Beginning Balance from Governor's FY 2014 Proposed Budget

² FY 2014-15 budget adopted in Resolution T-17407, October 3, 2013; FY 2015-16 budget resolution has been submitted but has not yet been adopted.