

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

**Communications Division  
Consumer Programs Branch**

**RESOLUTION T-17479  
June 25, 2015**

**RESOLUTION**

**Resolution T-17479. Approval of the California LifeLine Program<sup>1</sup>  
Surcharge Rate of 3.80%, Effective August 1, 2015.**

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**SUMMARY**

This resolution adopts a revised California LifeLine (CA LifeLine) program surcharge rate of 3.80%, effective August 1, 2015, until further revised by the California Public Utilities Commission. The current CA LifeLine surcharge rate is 2.40%. 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 2.40% to 3.80%, effective August 1, 2015, and thereafter<sup>2</sup>. The revised CA LifeLine surcharge rate of 3.80% shall apply on their end-users' bills rendered on or after August 1, 2015.

**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 April 30, 2015, approximately 1.9 million customers<sup>3</sup> were enrolled in the CA LifeLine program.

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<sup>1</sup> 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.

<sup>2</sup> We apply this directive to VoIP providers pursuant to Public Utilities Code section 285.

<sup>3</sup> Of the 1.9 million customers, 762,442 and 1,157,118 were wireline and wireless subscribers, respectively.

On July 25, 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 the 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 25, 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;

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- 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 October 3, 2013, the Commission adopted Resolution T-17407 approving a CA LifeLine budget of \$202.594 million for Fiscal Year (FY) 2014-15.

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.

On November 6, 2014, the Commission adopted Resolution T-17454 approving a CA LifeLine budget of \$345.414 million for FY 2015-16.

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 November 20, 2014, the Commission adopted a surcharge rate of 2.40% in Resolution T-17460, which has been in effect since January 1, 2015. Historical CA LifeLine surcharge rates are available online at <http://www.cpuc.ca.gov/PUC/Telco/Consumer+Information/surcharges.htm>.

## **DISCUSSION**

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 positive program fund level which 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.

For this Resolution, the Commission evaluated the current CA LifeLine surcharge rate of 2.40% relative to the CA LifeLine fund balance. CD analysis shows that if the Commission maintains the current surcharge of 2.40%, the CA LifeLine fund balance would accumulate a deficit in excess of \$16.213 million by the end of FY 2015-16.

In determining the surcharge revenues, CD applied a billing base of \$14.061 billion for the first six months for FY 14-15 and \$13.621 billion the remaining six months for FY 14-15 and for FY 15-16.

Based on current projections, to avert a negative CA LifeLine fund balance and maintain a positive fund balance at the close of FY 2015-16, an increase in the CA LifeLine surcharge rate to 3.80% is required. This surcharge increase is needed to accommodate the increase in CA LifeLine expenses, primarily due to increase in Carrier Claims by wireless service providers. With an adjusted surcharge rate of 3.80%, CD estimates, as shown in Appendix A, a projected ending fund balance of \$158,590,000 on June 30, 2016. With the revised surcharge rate of 3.80%, the CA LifeLine fund will have a positive and adequate ending fund balance despite anticipated increased expenses resulting from program growth by June 30, 2016. However, CD will adjust the surcharge level once an appropriate fund balance has been achieved and customer growth stabilizes during FY 15-16. Hence, in order to maintain solvency of the CA LifeLine fund, we are setting the interim surcharge of 3.80%, effective August 1, 2015. Therefore, CD recommends that the Commission adopt a surcharge rate of 3.80%, effective August 1, 2015, to provide sufficient funding for the CA LifeLine program.

Accordingly, all telephone corporations<sup>4</sup> and interconnected VoIP service providers<sup>5</sup> shall assess a CA LifeLine surcharge rate of 3.80% on revenues collected from end-users for intrastate telecommunications services subject to surcharge effective August 1, 2015. The CA LifeLine surcharge rate of 3.80% shall apply on their end-users' bills rendered on or after August 1, 2015, 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 became effective with surcharge rates and reimbursement fees implemented on January 5, 2005, 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 July 22, 2015, to modify the CA LifeLine surcharge rate from 2.40% to 3.80%, effective August 1, 2015, and thereafter, until further revised by the Commission. Pursuant to

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<sup>4</sup> See PU Code §2881(g).

<sup>5</sup> See PU Code §285(c).

Ordering Paragraph #1 of Resolution T-16901, all other carriers with Commission-filed scheduled tariffs should already be cross-referenced to AT&T 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 3.80%, effective on August 1, 2015 and thereafter. These concurring carriers, however, are required to implement the new CA LifeLine surcharge rate of 3.80%, effective August 1, 2015. All interconnected VoIP service providers are similarly required to revise and implement the new 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 3.80% surcharge rate on intrastate telecommunications revenues, effective August 1, 2015, is reasonable and should be adopted.

### **COMMENTS**

In compliance with PU Code § 311 (g), the Commission e-mailed on May 22, 2015, a notice letter informing all telephone corporations, members of the CA LifeLine Administrative Committee and Working Group, 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](http://www.cpuc.ca.gov).

On June 15, 2015, the Small LECs' (Calaveras Telephone Company, Cal-Ore Telephone Co., Ducor Telephone Company, Foresthill Telephone Co., Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Co., Pinnacles Telephone Co., The Ponderosa Telephone Co., Sierra Telephone Company, Inc., The Siskiyou Telephone Company, Volcano Telephone Company and Winterhaven Telephone Company), filed opening comments on the draft resolution and raised the following concern:

- The Proposed Decision should be revised to state that the new LifeLine surcharge rate should be applied to end-user bills rendered on or after July 25, 2015, so carriers would not need to prorate two different effective LifeLine surcharge rates for a single customer bill if the surcharge rate is made effective on July 25, 2015, as the Draft Resolution is currently drafted.

CD staff agrees with the Small LECs' concern and has made the necessary changes in this resolution to reflect that CA LifeLine surcharge rate of 3.80% should apply to end-user bills rendered on or after August 1, 2015, in order to minimize billing and administrative burdens to CA LifeLine service providers.

## **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 October 3, 2013, the Commission adopted Resolution T-17407 approving a CA LifeLine budget of \$202.594 million for fiscal year (FY) 2014-15.
3. On November 6, 2014, the Commission adopted Resolution T-17454 approving a CA LifeLine budget of \$345.414 million for FY 2015-16.
4. The current CA LifeLine surcharge rate of 2.40% was approved by the Commission in Resolution T-17460 on November 20, 2014.
5. The current balance of CA LifeLine monies requires the Commission to increase the surcharge rate for the CA LifeLine fund from 2.40% to 3.80%, effective

August 1, 2015, and thereafter, until further revised by the Commission. The revised surcharge rate will enable the CA LifeLine fund to have a positive ending fund balance, given anticipated expenses, by June 30, 2016.

6. This surcharge increase is needed to accommodate the increase in CA LifeLine expenses, primarily due to increase in Carrier Claims by wireless service providers.
7. In determining the surcharge revenues, CD applied a billing base of \$14.061 billion for the first six months for FY 14-15 and \$13.621 billion the remaining six months for FY 14-15 and for FY 15-16.
8. In order to maintain solvency of the CA LifeLine fund, we are setting the interim surcharge of 3.80%, effective August 1, 2015.
9. The CA LifeLine surcharge rate of 3.80%, effective August 1, 2015, is reasonable and should be adopted.
10. All telecommunications carriers and interconnected VoIP service providers should revise the CA LifeLine surcharge rate assessed on intrastate telecommunications service revenues to 3.80%, effective August 1, 2015, and thereafter, until further directed by the Commission.
11. All telecommunications carriers and interconnected VoIP service providers shall apply the CA LifeLine surcharge rate of 3.80% in their end-users' bills rendered on or after August 1, 2015.
12. Consistent with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter on or before July 22, 2015, modifying the CA LifeLine surcharge rate from 2.40% to 3.80% to take effect on August 1, 2015, and thereafter, until further revised by the Commission.
13. In compliance with PU Code § 311 (g), the Commission e-mailed on May 22, 2015, a notice letter informing all telephone corporations, members of the CA LifeLine Administrative Committee and Working Group, 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](http://www.cpuc.ca.gov).

14. On June 15, 2015, Small LECs filed comments and are addressed in this Resolution.

THEREFORE, IT IS ORDERED that:

1. The California LifeLine Fund surcharge rate of 3.80% is effective August 1, 2015, and thereafter, until further revised by the Commission, is adopted.
2. AT&T shall file an Advice Letter on or before July 22, 2015, modifying the surcharge rate for the California LifeLine Fund from 2.40% to 3.80%, effective August 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 2.40% to 3.80%, effective August 1, 2015, and thereafter, until further directed by the Commission.
4. All telecommunications carriers and interconnected VoIP service providers shall apply the California LifeLine surcharge rate of 3.80% in their end-users' bills rendered on or after August 1, 2015.

This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission as its regular meeting on June 25, 2015, the following Commissioners approved it:

/s/ Timothy J. Sullivan

Timothy J. Sullivan  
Executive Director

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## Appendix A

## Appendix A

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

	FY 2014-15	FY 2015-16
1 Beginning Balance <sup>1</sup>	\$ 50.020	\$ 1.676
2 Billing Base	\$ 14,061.000	\$ 13,621.000
	\$ 13,621.000	
3 Revenue		
Surcharge Revenue at 1.15% <sup>2</sup>	\$ 80.851	
Surcharge Revenue at 2.40% (effective 1/1/15) <sup>3</sup>	\$ 163.452	\$ 27.242
Surcharge Revenue at 3.80% (effective 8/1/15)		\$ 474.465
4 Total Revenue	\$ 244.303	\$ 501.707
5 Total Resources (Ln 1 + Ln 4)	\$ 294.32	\$ 503.38
6 Budget <sup>4</sup>	\$ 202.647	\$ 344.793
7 Proposed Supplemental	\$ 90.000	
8 Total Expenditures (Ln 6 + Ln 7)	\$ 292.65	\$ 344.79
9 Ending Balance (Ln 5 - Ln 8)	\$ 1.676	\$ 158.590

<sup>1</sup> Beginning Balance from Governor's Budget

<sup>2</sup> (\$14,061,000,000 Billing Base\*1.15%/12)\*6

<sup>3</sup> (\$13,621,000,000 Billing Base\*2.40%/12)\*6

<sup>4</sup> FY 2014-15 Adopted Budget Resolution T-17454 (LA\$181.4 Mil + SO\$21.247Mil);  
FY 2015-16 Adopted Budget Resolution T-17454 (LA\$324.2 Mil + SO\$20.573Mil)