

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

**Communications Division  
Consumer Programs Branch**

**RESOLUTION T-17700  
June 11, 2020**

**R E S O L U T I O N**

**Resolution T-17700: Approval of up to \$500,000 in additional funding for iFoster to distribute smartphones to Californian foster youth.**

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**I. SUMMARY**

This Resolution approves additional funding of up to \$500,000 to iFoster, Inc. (iFoster) so that iFoster can bear unforeseen costs of distributing and activating smartphones for foster youth. Decision 19-04-021 authorized a pilot project with iFoster, a Truckee-based non-profit serving foster youth across the state and country, and Boost Mobile (Boost) to provide smartphones and up to 2 years of free service to up to 33,000 eligible foster youth across the state, with an estimated cost of \$22,295,000. While working to implement the pilot, Communications Division Staff (Staff), iFoster, and Boost determined that an in-person distribution model was not a practical solution, because county child welfare offices were not able to distribute the phones directly to qualified participating foster youth. Instead, iFoster and Boost determined that having iFoster contract with an independent distributor would facilitate timely distribution of phones while preserving foster youths' right to privacy.

**II. APPLICANT REQUEST**

As discussed further in Section III, Staff, iFoster, and Boost Mobile have agreed that iFoster shall contract with an independent distributor to deliver smartphones to foster youth. However, the costs of the alternative distribution model were not factored into what was granted to iFoster for operational expenses in D. 19-04-021. To implement the alternative distribution model and be compensated for the unanticipated costs, iFoster submitted a letter to Cynthia Walker, Director of the Communications Division, on September 25, 2019, requesting additional funding. That letter has been attached in full to this Resolution.

In summary, the letter requests up to \$500,000 in additional funding for distribution costs and discusses the misalignments between the needs, expectations, and capacities of

iFoster, The Commission, and Boost Mobile, necessitating the additional funding. iFoster accepts additional responsibilities for distribution, activation, and deactivation of devices according to the distribution model that all parties agreed would meet the needs of all stakeholders. iFoster states that they will only request reimbursement of no more than \$10 for distribution costs, and that such reimbursement is contingent upon confirmation of delivery of a device to an eligible and approved participant in the program. iFoster also agrees to the tracking and reporting requirements requested by Staff.

### III. BACKGROUND

Beginning in July 2018, the Commission hosted workshops<sup>1</sup> and public meetings to gather detailed comments from stakeholders and parties about improving and modernizing the California LifeLine Program. Topics for discussion included increasing participation in the California LifeLine Program (Program), the future of California LifeLine given the rapidly changing federal Lifeline program, the use of pilot programs to increase participation by lowering barriers to participation, increasing participation by unserved and underserved communities, increasing the number and types of service providers offering California LifeLine service, and expanding California LifeLine participants' access to widely available retail offerings in the market.<sup>2</sup>

On December 18, 2018, the Commission adopted Decision (D.) 18-12-019, which established the criteria for pilot programs and partnerships that would test proposed solutions to the challenges discussed in the workshops. Subsequent workshops developed pilot proposals, including the proposals from Boost Mobile and iFoster that were approved in D. 19-04-021. The Boost Mobile pilot consists of Project Members (such as the CPUC/CARE and other public-assistance programs) who distribute promotional codes to eligible consumers (who then receive discounted service from Boost). The iFoster pilot uses Boost Mobile and promotional codes to provide free smartphones and monthly service to foster youth. The iFoster pilot also developed unique procedures to protect the anonymity and safety of the foster youth being served.

Following the approval of D. 19-04-021, Staff, iFoster, and Boost Mobile began working to implement the Decision, including establishing a distribution model that would require in-person distribution of smartphones to the intended foster youth at either iFoster events, or by foster care caseworkers. However, county governments preferred not to be responsible for distribution, and iFoster lacked the resources to operate a statewide

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<sup>1</sup> Public workshops were held on August 6-7, 2018 (August Workshop) and September 14, 2018 (September Workshop).

<sup>2</sup> See <http://cpuc.ca.gov/General.aspx?id=6442458892>.

distribution system on their own without additional funding. iFoster needed a distribution model that would not presume foster youth have access to transportation or communications services when receiving and activating their devices.

Staff, iFoster, and Boost discussed alternative solutions to the distribution and activation challenges in the months following approval of D. 19-04-021. During the same time, iFoster, Boost and staff implemented other aspects of the pilot program. In July, iFoster shared a proposal that Staff believes is compliant with D. 19-04-021. Under this model, iFoster contracts with a logistics company based in Southern California to distribute devices and alert iFoster when the devices have been signed for by the intended foster youth. The signature provides the signal that iFoster needs to remotely activate the devices and begin communicating with the foster youth.

On an interim basis to facilitate a November 22, 2019 pilot launch, Staff permitted iFoster to use the alternative distribution model which has been used since launch of the pilot to distribute over 5,000 phones. Staff has approved iFoster's request to seek compensation (\$10/device) from the overall operational expense budget approved in D.19-04-021. However, because D. 19-04-021 did not anticipate using the operational budget for distribution, iFoster will exhaust the \$184,200 approved operational expense budget well before iFoster has distributed devices to the 33,000 foster youth approved in the Decision.

iFoster is requesting an increase in funds of no more than \$500,000. This amount was based on a distribution cost of \$10 per device, and the assumption that youth will require, on average, no more than 1.5 devices per youth to replace lost, damaged, and stolen devices over the course of the 2-year pilot.<sup>3</sup> The \$10/device was based on a quote provided before the pilot launched by an independent distributor. Since launching in November 2019, iFoster has successfully distributed and activated over 5,000 devices, and \$10/device has proven accurate.

#### **IV. DISCUSSION**

After reviewing, Staff finds that the alternative distribution model is reasonable and complies with the requirements for the pilot set forth in D.19-04-021, and that the additional amount (\$500,000) needed to fund the alternative distribution model is reasonable. This alternative distribution model enhances the equitability of the pilot for foster youth in urban and rural areas, reduces the risk of waste, fraud, and abuse, and minimizes barriers to participation by California's foster youth, thereby supporting the goals of D. 19-04-021. By contrast, Staff reviewed several other options and determined

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<sup>3</sup> 33,000 foster youth \* 1.5 devices per youth \* \$10 per device = \$495,000, which has been rounded up to \$500,000.

that they were costly, susceptible to waste, fraud, and abuse, threatening the privacy of foster youth, or incompatible with the goals and requirements of D.19-04-021.

## **V. STAFF RECOMMENDATION**

Staff recommends iFoster's request be approved as submitted in order to achieve the full benefits for California's foster youth that the Commission intended to provide when it authorized D. 19-04-21. Staff recommends that iFoster be reimbursed up to \$500,000 for the costs of distributing smartphones to foster youth, at a rate of no more than \$10 per device distributed to an eligible and approved foster youth, and only as such costs are incurred. Staff has determined that the \$500,000 limit is more than enough to cover the maximum distribution costs of the iFoster pilot, because the maximum population size is 33,000 youth, and it is reasonable to expect fewer than half of foster youth will need replacement devices for lost, stolen, and damaged devices.

iFoster's request is consistent with the plan developed by Staff, iFoster, and Boost Mobile to meet the needs of the pilot program's stakeholders and iFoster has agreed to the reporting, invoicing, and tracking procedures requested by Staff. Staff and iFoster have agreed that the funds will not be used to cover the regular operational expenses of iFoster's staff, such as salaries and benefits and travel costs, because they are already covered in D. 19-04-021. Staff and iFoster have agreed that they will only be reimbursed from this \$500,000 fund for documentable expenses incurred during distribution of devices, such as invoices provided by the 3<sup>rd</sup>-party logistics company. Thus, based on Staff's experience implementing the pilot thus far, and the conditions that iFoster has agreed to, Staff recommends approving this request as submitted by iFoster.

## **VI. SAFETY IMPACT**

In its first months of operation, the iFoster Pilot Program has already benefitted the personal safety of the foster youth that it serves, including at least one foster youth who used a Commission-provided smartphone to request emergency services during a crisis (further details withheld to protect anonymity). More generally, the Commission recognizes the welfare and safety benefits of ubiquitous access to communications services, and that foster youth are a vulnerable population with a need for, and limited access to, such services.

The iFoster Pilot Program was approved by the Commission with the understanding that reducing a barrier to communication between foster youth and their friends, family, social workers, educators, doctors, employers, and others would enhance the safety and welfare of California's foster youth. Because the pilot program is currently on pace to run

out of operational funding after it serves just a fraction (no more than 1/3) of the Commission's intended population size of 33,000, approving this Resolution will enable the safety and welfare benefits of the Pilot Program to potentially reach over 22,000 more foster youth than would otherwise be possible, in line with the Commission's intent and expectations when it authorized the pilot.

Finally, although the Pilot and the alternative distribution model were designed in 2019, the ongoing COVID-19 pandemic enhances the safety benefits of distributing smartphones to foster youth without relying on in-person events. This Resolution will enable up to 22,000 foster youth who would not otherwise receive smartphones to maintain remote contact with social workers, educators, family, friends, and other support networks.

## **VII. COMMENTS ON DRAFT RESOLUTION**

In compliance with PU Code §311(g), a notice letter was emailed on May 11, 2020, informing all parties on the LifeLine Distribution List of the availability of the draft of this Resolution for public comments at the Commission's documents website at <http://www.cpuc.ca.gov/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website.

## **VIII. FINDINGS**

1. The Commission authorized iFoster and Boost Mobile to provide free smartphones and communications services to up to 33,000 foster youth.
2. In D.19-04-021, the approved budget assumed a distribution model based on in-person distribution with the assistance of county child welfare offices.
3. The in-person distribution model is impractical both because assumptions made about county child welfare offices were inaccurate and because the ongoing COVID-19 pandemic prevents in-person gatherings.
4. iFoster consulted with Staff on how best to implement the pilot according to the Commission's timeline and expectations, given that in-person distribution was no longer feasible.
5. Staff supported and permitted iFoster to use an alternative distribution and activation model to facilitate iFoster launching the pilot on November 22<sup>nd</sup>.

6. 5,000 devices have been distributed using the alternative distribution model.
7. The alternative distribution model uses an independent distribution agent to both preserve the privacy of foster youth participants and facilitate tracking and activation.
8. In approving D.19-04-021, the Commission was not aware that in-person distribution was not possible and that an independent distribution agent would be needed.
9. iFoster estimates that using an alternative distribution model that relies upon an independent distribution agent will increase operating expenses by \$500,000.
10. Staff finds that the alternative distributional model is reasonable, complies with the requirements for the pilot set forth in D.19-04-021, and the additional funding (\$500,000) needed for an independent distribution agent is reasonable.
11. A notice letter was e-mailed on May 11, 2020, informing all parties on the LifeLine distribution list of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov/PUC/documents/>. This letter also informed parties that the final confirmed Resolution adopted by the Commission will be posted and available at this same website.

**THEREFORE IT IS ORDERED THAT:**

1. The Commission shall provide up to \$500,000 in additional funding for costs incurred by iFoster while distributing smartphones to foster youth.
2. iFoster shall provide Staff with complete documentation of distribution costs that are to be reimbursed, including invoices from third party warehouses or distributors.
3. iFoster shall not use these funds for reimbursement of costs foreseen in Decision 19-04-021, such as salaries, benefits, and travel costs.
4. iFoster shall request no more than \$10 per device distributed to an eligible foster youth for reimbursement of distribution costs.

5. iFoster shall continue to comply with all conditions of D. 19-04-021 and the reimbursement, documentation, tracking, and reporting procedures established by iFoster and Staff.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on \_\_\_\_\_. The following Commissioners approved it:

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Alice Stebbins  
Executive Director

**Appendix A**  
**iFoster Letter to Director of Communications**  
**Request for Additional Funding**



September 25, 2019

Cynthia Walker  
Director, Communications Division  
California Public Utilities Commission  
505 Van Ness Avenue, Third Floor  
San Francisco, CA 94127

Re: Request for Additional Funding for iFoster's Operational Costs to Ship Phones to Foster Youth

Dear Ms. Walker:

I am writing to request additional funding from the LifeLine Program for the iFoster Pilot. As requested by your staff, I am providing you with a formal copy of our request, which we have already presented to LifeLine supervisors and analysts.

I am requesting additional funding for our organization's operational costs due to unforeseen costs of distributing phones to foster youth. Without additional funding, the distribution model chosen by Boost, iFoster, and Commission staff as the only viable model, will cause iFoster's expenses to exceed the estimate provided in Decision 19-04-021.

iFoster's operational costs are higher than expected because iFoster, Boost, and Commission staff have found that implementing the Decision required iFoster to take on phone distribution to the end user which has hereto been the responsibility of the LifeLine carrier. To summarize the months of discussions that have occurred since the Decision was approved, iFoster, Commission staff, and Boost Mobile have determined that the three organizations had contradictory expectations about how the pilot program would be implemented. These differences in expectations related to how the phones would be distributed, when and how the phones would be activated, and who would bear the risks associated with phones that are lost or stolen without reaching the intended foster youth, among other issues.

Unfortunately, each of the models initially envisioned by each of the parties violated expectations of the other parties, raising questions about whether and how the pilot would proceed.

Recently, the parties have developed an understanding of a possible path forward, but it requires iFoster to take on responsibilities that were not budgeted for in Decision 19-04-021. The revised distribution model, which Commission staff have agreed will meet every party's needs, requires iFoster to contract with a third-party logistics company and to implement its own inventory tracking and shipping management capabilities. iFoster, in partnership with its third party logistic company, will be responsible for ordering devices in bulk from Ingram, receiving bulk orders, inventory management, individual

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ordering, and the pack/pick and shipment of phones to individual foster youth throughout the state at a reasonable cost. iFoster will receive a notification when each phone has been received and signed for, providing the signal iFoster needs to activate the phones and make contact with the foster youth. This model of distribution and activation provides iFoster with inventory management, shipping & handling capabilities it has previously not had while ensuring that iFoster can manage the delivery and activation process to ensure that devices and service are being delivered to eligible and approved foster youth.

iFoster is willing to undertake this additional inventory and shipping management burden under these circumstances to ensure that all eligible foster youth may participate in this life changing pilot. iFoster believes this solution, while additional work and cost, aligns with Boost's capabilities for service delivery and policies for activation while minimizing the Commission's concerns about paying for phones that do not reach the intended foster youth. The additional cost of this service will be a flat rate of \$10 per phone delivered anywhere in the state of California.

As recommended by your staff, our plan is to carefully track these distribution costs and to include them in our invoices for the coming months, along with our other operational costs, according to the invoice template approved by staff. However, because these costs were unforeseen, we are asking the Commission to increase our budget for operational costs, which will otherwise be exhausted after serving just a fraction of the foster youth expected by the Commission when they approved the Decision. We have worked with Commission staff to determine that it is appropriate to categorize this unanticipated expense as an operational cost, and to estimate that our budget needs to be increased by \$500,000 to ensure that we are able to reach the number of foster youth anticipated in the Decision. The dollar amount was chosen based on the known shipping costs for the 33,000 foster youth envisioned in the Decision (\$330,000), as well as a comfortable margin to account for the needs of youth who may need replacement devices (which was contemplated and prepared for in the Decision).

Of course, iFoster understands that this money will only be reimbursed to iFoster upon confirmation of delivery of a device to an eligible and approved participant in this program, that iFoster must submit this confirmation for reimbursement to the CPUC according to the tracking and invoicing procedures agreed to with staff, and that these additional costs will not exceed \$10 per device shipped without further approval from the Commission. Thus, if fewer than the maximum number of 33,000 foster youth are enrolled, or if fewer than half of devices need to be replaced, then iFoster will not be eligible to receive the full \$500,000, even if other operational costs that were anticipated in the Decision exceed our estimates.

Thank you very much for your consideration, and please let us know if you have any questions or concerns at this time.

Best regards,



Serita Cox  
CEO, Co-Founder  
iFoster