PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division RESOLUTION T-17818**

**Carrier Oversight & Programs March 13, 2025**

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

**RESOLUTION T-17818. Adopts Universal Service Public Purpose Programs Surcharge Rate of $0.90 per Access Line, effective May 1, 2025.**

## SUMMARY

Adopts surcharge rate of $0.90 per access line and the following surcharge revenue allocation among the six Public Purpose Programs that fund universal service in California:

* Fund 0464 (CHCF-A), 6.60%;
* Fund 0470 (CHCF-B), 0.00%;
* Fund 0471 (LifeLine), 50.44%;
* Fund 0483 (California Connect (DDTP)), 0.00%;
* Fund 0493 (CTF), 14.46%; and
* Fund 3141 (CASF), 28.50%.

All telephone corporations shall change the Public Purpose Programs surcharge rate assessed per access line on end users for intrastate telecommunications services from $1.11 per access line to $0.90 per access line, effective May 1, 2025.

## BACKGROUND

The California Public Utilities Commission (Commission or CPUC) is responsible for the administration of six state-mandated Public Purpose Programs (PPPs) and their respective end user surcharges. The Commission’s six telecommunications PPPs and their respective surcharges are set forth in Public Utilities (Pub. Util.) Code sections 270 to 281.[[1]](#footnote-2) Those programs are detailed below.

In D.22-10-021, the Commission adopted a new surcharge mechanism to fund the PPPs and consolidated the six surcharges into a single, flat rate PPP surcharge. The new mechanism assesses surcharges based on the number of active access lines that a telephone corporation operates in California. The new per access line surcharge rate of $1.11, with the revenue allocation percentages shown in Table 1 below, became effective on April 1, 2023[[2]](#footnote-3) .

On September 1, 2024[[3]](#footnote-4) and again on January 1, 2025[[4]](#footnote-5), Communications Division adjusted how the $1.11 surcharge rate is allocated amongst the six PPPs. Table 1 below shows both the original and updated surcharge allocations across the six PPPs.

Table



The six telecommunications Public Purpose Programs funded by the PPP surcharge are:

* California High Cost Fund-A (CHCF-A)
* California High Cost Fund-B (CHCF-B)
* California LifeLine Program (LifeLine or ULTS)
* California Connect, also called Deaf and Disabled Telecommunications Program (DDTP)
* California Teleconnect Fund (CTF)
* California Advanced Services Fund (CASF)

### California High Cost Fund A

Pub. Util. Code Section 275.6 requires the Commission to implement a program for universal service support to reduce rate disparity in rural areas. The California High Cost Fund-A (CHCF-A) program provides a source of supplemental revenue to Small Incumbent Local Exchange Carriers, whose basic residential telephone service rates may otherwise need to be increased to levels that would threaten universal service goals.[[5]](#footnote-6)

The appropriation in the enacted state budget for Fiscal Year (FY) 2024-25 is $1.567 million for State Operations and $47.913 million for Local Assistance. SB 857 (2022)[[6]](#footnote-7) extended the CHCF-A program until January 1, 2028.

### California High Cost Fund-B

The California High Cost Fund-B (CHCF-B) program was established pursuant to Section 276.5, which requires the Commission to implement and maintain a program for universal telephone service support to reduce rate disparity in high cost areas. The program gives subsidies to Carriers of Last Resort that provide basic residential telephone service to customers in specified rural high-cost areas.[[7]](#footnote-8)

The appropriation in the enacted state budget for FY 2024-25 is $1.674 million for State Operations and $20.777 million for Local Assistance. SB 857 (2022)[[8]](#footnote-9) also extended the CHCF-B program to January 1, 2028. The current and proposed surcharge revenue allocations for CHCF-B are 0.00% because the program already has sufficient reserves to fund its operations through the end of FY 2026-2027 without receiving any addition surcharge revenue.

### California LifeLine

The Commission implemented the California LifeLine Program (LifeLine), pursuant to the creation of the Universal LifeLine Telephone Service (ULTS) Trust Administrative Committee Fund, codified in 1984 in Sections 277 and 871. The LifeLine program provides discounted residential wireless and wireline communication services to qualified low-income households. As of October 2024, approximately 1.7 million Californians are participating in the program. Of the total number of LifeLine participants, approximately 1.57 million have wireless services.[[9]](#footnote-10)

The appropriation in the enacted state budget for FY 2024-25 is $30.223 million for State Operations and $346.947 million for Local Assistance.[[10]](#footnote-11)

### California Connect (Deaf and Disabled Telecommunications Program)

California Connect, also called the Deaf and Disabled Telecommunications Program (DDTP), is governed by the following legislative mandates: Section 2881(a) (telecommunications devices to deaf or hard of hearing individuals); Section 2881(b) (California Relay Service enables consumers who are deaf, hard of hearing, or speech disability to connect by telephone with other parties); Section 2881(c) (specialized communications equipment to consumers with hearing, vision, mobility, speech, and/or cognitive disabilities); and Section 2881(d)(Augmentative and Alternative Communication (AAC) devices to any subscriber who is certified as having a speech disability).[[11]](#footnote-12)

The appropriation in the enacted state budget for FY 2024-25 is $64.862 million for State Operations and $210 million for Local Assistance.

Section 2881(g) authorized the Commission to collect revenues for DDTP via a surcharge until January 1, 2025. Beginning January 1, 2025, the surcharge allocation for DDTP is set at 0.00%. The Commission is considering options to renew the surcharge authority for DDTP and will restore the allocation if the statue is amended.

### California Teleconnect Fund

The California Teleconnect Fund (CTF) was established by D.96-10-066 and is governed by Sections 280 and 884. In the Decision, the Commission reaffirmed its commitment to universal service, and in accordance with state and federal directives, created the CTF to provide discounted rates for a host of telecommunications services for schools, libraries, government-owned health care providers and qualifying community-based organizations (CBOs).[[12]](#footnote-13)

The appropriation in the enacted state budget for FY 2024-25 is $3.419 million for State Operations and $105 million for Local Assistance.

### California Advanced Services Fund

Pub. Util. Code Section 281 (a) directs the CPUC to develop, implement, and administer the California Advanced Services Fund (CASF) program to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies. Pursuant to Section 281 (b)(1)(A), the goal of the CASF program is, no later than December 31, 2032, to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of Californian households.[[13]](#footnote-14)

The appropriation in the enacted state budget for FY 2024-25 is $13.053 million for State Operations and $136.211 million for Local Assistance. Section 281(d)(4) authorizes CASF to collect surcharge revenue through December 31, 2032.

## DISCUSSION

The Commission has determined that the existing surcharge rate of $1.11 should be reduced to $0.90 to ensure the fund balances are not excessive.

As illustrated by Table 2 and Table 3, the surcharge rate of $1.11 would result in high fund balances (line D) and fund reserve percentages (line E) for each PPP at the end of FY 2024-2025.[[14]](#footnote-15) The fund reserve percentage (line E) is the fund balance (line D) as a percentage of total fund expenditures (line B) for the year.[[15]](#footnote-16) See Appendix A for details of the calculations.

As a guideline, the Commission targets fund reserves of at least 25 percent for each PPP. This provides sufficient reserves in case of unexpected fluctuations in revenues or expenditure. The projected FY 2024-2025 fund reserves (line E) are projected to be well above the 25 percent target for all six PPPs. Therefore, the Commission determined that the surcharge rate should be lowered before the end of FY 2024-2025.

Table



Table



The Commission finds it reasonable to reduce the per access line surcharge rate to $0.90 per access line, and to adjust the surcharge revenue allocation among the six PPPs, because it will achieve the following:

1. Maintain a reasonable fund balance to ensure program stability;
2. Avoid excessive surcharge burden on current ratepayers;
3. Avoid frequent or large changes in surcharge rate to prevent rate shock; and
4. Gradually lower the fund balances over multiple years.

Table 4 below shows the projected effects of a $0.90 surcharge rate on each of the PPP fund balances for FY 2024-2025 through 2026-2027.[[16]](#footnote-17)

For each FY, the projected ending balance [line D] is equal to the sum of the Beginning balance [line A], projected expenditures [line B], and projected revenues [line C][[17]](#footnote-18). The fund reserve percentage (line E) is the fund balance (line D) as a percentage of total fund expenditures (line B) for the year.[[18]](#footnote-19) Lastly, the beginning balance (line A) of each FY is the ending balance (line D) of the prior FY. The surcharge revenue for all FYs is calculated using the average number of access lines from FY 2023-2024, which is 53,561,087. The projected (surcharge) revenue (line C) is allocated among the six PPPs according to the allocation percentages. The Commission recalculates the allocation percentages prior to the start of each FY based on the revenue needs of each PPP[[19]](#footnote-20).

Table



Table 4 demonstrates how a surcharge rate of $0.90, beginning May 1, 2025, would gradually lower the fund reserve percentages (line E) for PPP funds each year[[20]](#footnote-21) while maintaining sufficient revenues (lines C) to support the six PPPs through the end of FY 2027-2028.[[21]](#footnote-22)

In addition to lowering the total per access line surcharge rate to $0.90, the Commission also modifies the surcharge allocation percentages to those shown below in Table 5, effective May 1, 2025.

Table

|  |
| --- |
| **Surcharge Allocation Percentages Effective May 1, 2025** |
| **CHCF-A(Fund 0464)** | **CHCF-B(Fund 0470)** | **LifeLine(Fund 0471)** | **DDTP(Fund 0483)** | **CTF(Fund 0493)** | **CASF (Fund 3141)** |
| 6.60% | 0.00% | 50.44% | 0.00% | 14.46% | 28.50% |

The allocation percentages determine how the total surcharge revenue is divided up amongst the six PPPs. [[22]](#footnote-23) To determine the allocation percentages, the Commission calculates the total need for each program. The total need is the amount required for a PPP to be able to spend 100% of its authorized expenditures and maintain a sufficient reserve. If additional surcharge revenue is left over after the total need for each PPP is met, then the Commission allocates the extra surcharge proportionally amongst the six PPPs. If necessary, CD will adjust the allocations at least annually via an Administrative Letter.

## ADVICE LETTER FILING AND SURCHARGE CHANGES

Consistent with Resolution T-16901, approved December 2, 2004, AT&T California (U-1001-C, formerly SBC California) should file an advice letter on or before April 2, 2025, to modify the Public Purpose Programs surcharge rate from $1.11 per access line to $0.90 per access line, effective May 1, 2025, until further revised by the Commission. Further, all telephone corporations operating in California shall revise the Public Purpose Programs surcharge rate assessed on end-users, subject to surcharge[[23]](#footnote-24), from $1.11 per access line to $0.90 per access line. AT&T California is not required to inform competing carriers of tariff changes which comply with this resolution.

## COMMENTS

In compliance with Public Utilities Code section 311, subdivision (g)(1), a notice letter was emailed on February 07, 2025informing all parties on the service 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.

## FINDINGS

1. The Commission is responsible for the administration of the six state-mandated Public Purpose Programs (PPP) that support universal service in California.
2. Section 275.6 requires the Commission to implement the CHCF-A program for universal service support to reduce rate disparity in rural areas.
3. Section 276.5 requires that the Commission implement and maintain the CHCF-B program for universal telephone service support to reduce rate disparity in high cost areas.
4. The California LifeLine Program, also known as Universal LifeLine Telephone Service Trust Administrative Committee Fund, was implemented by the Commission in 1984, pursuant to Sections 277 and 871.
5. The Commission established California Connect, also known as the Deaf and Disabled Telecommunications Program (DDTP), to provide specialized equipment to consumers with hearing, vision, mobility, speech and/or cognitive disabilities through Decisions issued in the 1980s.
6. The Legislature codified the DDTP program through passage of several statutory provisions contained in Section 2881.
7. Section 2881(g) authorizes the Commission to collect surcharge revenue for DDTP until January 1, 2025.
8. The CTF program is governed by Sections 280 and 884 to promote universal service by providing discounted rates for a host of telecommunications services for schools, libraries, community colleges, government–owned health care providers, and qualifying community-based organizations.
9. Section 281 requires the Commission to develop, implement, and administer the CASF program to encourage the deployment of high-quality advanced communications services to all Californians, which will promote the economic and social benefits of advanced information and communications technologies.
10. The $1.11 surcharge rate is projected to produce a large surplus for each PPP at the end of FY 2024-2025.
11. Reducing the surcharge rate to $0.90 is projected to provide sufficient revenue for all six PPPs through FY 2026-2027.
12. The surcharge allocation percentages should be modified, effective May 1, 2025, to the following: CHCF-A, 6.60%; CHCF-B, 0.00%; LifeLine, 50.44%; DDTP, 0.00%; CTF, 14.46%; and CASF, 28.50%.
13. A notice letter was emailed on February 07, 2025, informing all parties on the Service 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.

**THERFORE, IT IS ORDERED** that:

1. The Public Purpose Programs surcharge rate shall be $0.90 per access line, effective May 1, 2025, until the Commission adopts a new rate.
2. AT&T California (U-1001-C) shall file an advice letter on or before April 2, 2025, modifying the Public Purpose Programs surcharge rate from $1.11 per access line to $0.90 per access line, effective May 1, 2025, until the Commission adopts a new rate.
3. All telephone corporations shall revise the Public Purpose Programs surcharge rate assessed on end users subject to surcharge, pursuant to D.22-10-021, from $1.11 per access line to $0.90 per access line, effective May 1, 2025, until the Commission adopts a new rate.
4. The surcharge revenue shall be allocated amongst the six Public Purpose Programs according to the following percentages, effective May 1,2025, until further revised by Communications Division via an Administrative Letter or by Commission order.

|  |
| --- |
| Percentage of Flat Rate Surcharge Allocated to Each Public Purpose Program |
| Fund 0464 (CHCF-A) | Fund 0470 (CHCF-B) | Fund 0471 (LifeLine) | Fund 0483 (DDTP) | Fund 0493 (CTF) | Fund 3141 (CASF) |
|  |
| 6.60% | 0.00% | 50.44% | 0.00% | 14.46% | 28.50% |  |

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the following Commissioners voting favorable thereon:

|  |  |
| --- | --- |
|  |  |
|  | Rachel PetersonExecutive Director |

Appendix A

For all projections referenced in this resolution, the Commission used the following process and assumptions.

### Forecast Surcharge Revenue

Table 6 below shows the formula for calculating the projected surcharge revenue when the surcharge rate is $1.11.

Table 6



Estimated monthly surcharge revenues [column C] are equal to the surcharge rate [column A] multiplied by the number of access lines [column B], A x B =C. To estimate the annual surcharge revenue, the monthly surcharge revenue is multiplied by 12, thus A x B x 12 = D.

When a FY includes two different surcharge rates, such as if there is a decrease to $0.90 effective May 1, 2025, the surcharge revenue for each period is calculated separately. For example, the surcharge revenue for July 2024 through April 2024 would be $1.11 x 53,561,087 x 10. And the surcharge revenue for May 2025 through June 2025 would be $0.90 x 53,561,087 x 2.

To project surcharge revenues for FY 2024-2025 and all future FYs, the Commission assumes that the number of access lines will be 53,561,087 , which is the average number of access lines from FY 2023-2024 (see [C] in Table 6 above).

The Commission uses this formula to calculate the total surcharge revenues. Then the Commission uses the allocation percentages to divide the total surcharge revenue amongst the six PPPs. For example, the current allocation for CHCF-A is 7.09%. Therefore, if the surcharge remains at $1.11, the CHCF-A fund would receive $4,215,203.99 in surcharge revenue per month because $1.11 x 53,561,087 x 7.09% = $4,215,203.99

For the projections for FY 2025-2026 and beyond, the Commission assumes that CD will continue to adjust the allocations annually, with the changes effective every July 1. The Commission may also adjust the allocations during the FY in addition to the annual allocation change, if needed.

### Forecast Ending Fund Balances

Table 7 below shows an example of how CPUC forecasts the ending fund balances. For each year, the Projected Ending Fund Balance [line D] is equal to the Beginning Balance [line A] plus the Projected Expenditures [line B] and Projected Surcharge Revenue [line C].

Thus, D = A + B + C

Table



This calculation relies on the following assumptions and definitions:

* For FY 2024-2025, the Beginning Balance [line A] is the actual cash balance in each PPP fund on July 1, 2024.[[24]](#footnote-25)
* For FY 2025-2026 and beyond, the Projected Beginning Balance [line A] is the Projected Ending Balance [line D] of the prior FY.
* For each FY, the Projected Expenditures [line B] are assumed to be equal to the appropriations adopted in the FY 2024-25 state budget [[25]](#footnote-26). This ensures that there are sufficient funds to allow each PPP to spend the maximum allowed.[[26]](#footnote-27)
* The Projected Revenues [line C] are the projected surcharge revenues for each PPP. The Commission uses the formula described previously to calculate the total surcharge revenues for each PPP.

Thus, the Ending Balance (or Fund Balance) (Line D) reflects how much money would be left in each fund at the end of the FY after accounting for all projected expenditures and revenues.

### Calculating the Fund Reserve Percentage

The fund reserve percentage (line E) is the fund balance (line D) as a percentage of total fund expenditures (line B) for the year.

For example, in Table 7 above, the fund reserve for CHCF-A is calculated as follows:

$49,664,039 / $49,554,000 = 100.22%

(Ending Fund Balance) / Expenditures = Fund Reserve

1. All section references hereafter are to the California Public Utilities Code unless otherwise stated. [↑](#footnote-ref-2)
2. D.22-10-021. [↑](#footnote-ref-3)
3. *See* Administrative Letter at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/high-cost-support-and-surcharges/surcharge-rates/administrative-letter--updated-ppp-surcharge-allocation-percentages-08122024.pdf> [↑](#footnote-ref-4)
4. *See* Administrative Letter at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/high-cost-support-and-surcharges/surcharge-rates/administrative-letter--updated-ppp-surcharge-allocation-percentages-12202024.pdf> [↑](#footnote-ref-5)
5. *See* the CHCF-A webpage for program information at (<https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/california-high-cost-fund-a>). [↑](#footnote-ref-6)
6. *See* Pub. Util. Code Section 275.6, amended by Stats. 2022, Ch. 706, Sec. 1. (SB 857) [↑](#footnote-ref-7)
7. *See* the CHCF-B webpage for program information at (<https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/california-high-cost-fund-b>). [↑](#footnote-ref-8)
8. *See* Pub. Util. Code Section 276.5, amended by Stats. 2022, Ch. 706, Sec. 2. (SB 857) [↑](#footnote-ref-9)
9. *See* the LifeLine website for program information (<https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/lifeline> . [↑](#footnote-ref-10)
10. The Commission may modify the FY 2024-2025 LifeLine appropriation through the Enrollment, Caseload, & Population (ECP) process. The new FY 2024-2025 appropriation of $33.154 million for State Operations and $418.733 million for Local Assistance is shown in the Governor’s Proposed FY 2025-2026 Budget, available at https://ebudget.ca.gov/budget/2025-26/#/Department/8660 [↑](#footnote-ref-11)
11. *See* the DDTP website for program information at (<https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/ddtp>. [↑](#footnote-ref-12)
12. *See* the CTF webpage for program information at (<https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/california-teleconnect-fund>). [↑](#footnote-ref-13)
13. *See* the CASF webpage for program information at <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/california-advanced-services-fund> [↑](#footnote-ref-14)
14. The Commission projects that DDTP will end FY 2024-2025 with a significantly lower fund reserve percentage than the other programs because DDTP’s surcharge revenue allocation will be 0.00% beginning January 1, 2025, to comply with Section 2881(g). [↑](#footnote-ref-15)
15. E = D / B [↑](#footnote-ref-16)
16. The projections shown in Table 4 assume that the Commission will be authorized to collect surcharge revenue for DDTP beginning July 1, 2025. However, if Section 2881(g) is not amended, then the allocation to DDTP will remain at 0.00%. This would result in higher allocations for the other programs. [↑](#footnote-ref-17)
17. A+B+C=D [↑](#footnote-ref-18)
18. E = D / B [↑](#footnote-ref-19)
19. Projections assume that beginning in FY 2025-2026, new surcharge allocation percentages will take effect every July 1. Additional change to the surcharge allocations can also be made, if needed. [↑](#footnote-ref-20)
20. The CASF fund reserve is projected to remain above 180% through FY 2027-2028 because the program has chosen to collect the maximum revenue allowed by Section 281(d) until its surcharge authority sunsets on December 31, 2032. [↑](#footnote-ref-21)
21. Table 4 uses the LifeLine appropriation from the FY 2024-2025 enacted budget to project expenditures. However, if there is an increase to the LifeLine FY 2024-2025 appropriation effective in January 2025, the $0.90 surcharge rate provides sufficient revenue to support the additional expenditures. [↑](#footnote-ref-22)
22. For example, the equation to calculate CHCF-A support for 1 month would be:

CHCF-A Surcharge Revenue = Number of Access Lines x $0.90 x 5.81% [↑](#footnote-ref-23)
23. Consistent with rules adopted in D.22-10-021. [↑](#footnote-ref-24)
24. The fund balance data was collected on September 3, 2024. [↑](#footnote-ref-25)
25. See https://ebudget.ca.gov/budget/2024-25EN/#/BudgetDetail [↑](#footnote-ref-26)
26. The Commission may modify the FY 2024-2025 LifeLine appropriation, effective January 2025, through the Enrollment, Caseload, & Population (ECP) process. While Table 4 and Table 7 reflect the LifeLine appropriation as of the FY 2024-2025 Enacted Budget, the Commission ensures that the program maintains sufficient reserves to accommodate an increase in expenditures. [↑](#footnote-ref-27)