

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17377
August 23, 2012**

R E S O L U T I O N

Resolution T-17377. Approval of the California Teleconnect Fund Administrative Committee Budget for Fiscal Year 2013-14 to Comply with the Requirements of Public Utilities Code Section 273(a), an Increase of the California Teleconnect Fund Appropriations Cap, and an Increase of the Total Discounts Available to Community Colleges.

SUMMARY

This Resolution adopts the following budget items for the California Teleconnect Fund:

- (1) a supplemental budget of \$1,179,000 for Fiscal Year 2011-12;
- (2) a supplemental budget of \$4,078,000 for Fiscal Year 2012-13;
- (3) a budget of \$117,233,000 for Fiscal Year 2013-14;
- (4) a \$24,999,000 increase to the annual appropriations cap, from \$92,234,000 to \$117,233,000; and,
- (5) a cap of \$11,167,000 on the total discounts available for community colleges for Fiscal Year 2013-14.

These budget adjustments are necessary to account for increases in participation rates and total discounts received by approved customers.

BACKGROUND

The Commission created the CTF in Decision (D.) 96-10-066, effective October 25, 1996, to provide discounted rates for a family of telecommunications services for qualifying schools, libraries, government-owned health care providers, and community based organizations.

In May 2006, the Commission opened Rulemaking 06-05-028 to conduct a comprehensive review of the Telecommunications Public Policy Programs, including the CTF. In D.08-06-020, issued on June 12, 2008, the Commission 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-regulated basis, and the inclusion of California's community colleges, California Telehealth Network participants and non-profit community based organizations providing 2-1-1 Information and Referral Services in the CTF program.¹

The CTF program is funded by a surcharge assessed on revenues collected from consumers for intrastate telecommunication services. The current surcharge rate is 0.079%.

1. CTF Budget

In October 1999, Public Utilities (PU) Code Sections 270-281 were enacted by Senate Bill 669 (Stats. 1999, Chapter 677). PU Code Section 280(d) requires that the Commission must use the money appropriated from the CTF only for the purpose of the fund.

Pursuant to paragraph 4.1(a) of the CTF Administrative Committee (CTF-AC) charter, the CTF-AC submitted a letter, dated May 31, 2012, to the Commission's Executive Director seeking approval of a proposed budget of \$96.893 million for Fiscal Year 2013-14. Details of this proposed budget are set forth in Appendix A.

2. CTF Appropriations Cap

In 1996 the Commission adopted D. 96-10-066, which set the initial annual funding of \$50 million for the CTF. If necessary, the CTF cap can be raised by staff recommendation via a Commission resolution at any time.²

On July 12, 2001, the Commission issued Resolution T-16542 to increase the fund's appropriation cap from \$50 million to \$55 million. The fund cap increase was based on projections of increased CTF participation as well as the need to cover the high speed and high cost services added to the program.

¹ Community based organizations providing 2-1-1 Referral and Information Services must be authorized by the Commission through a resolution process to participate in the CTF program.

² D.08-06-020, Finding of Fact 4 ("The CTF is [currently] capped at \$55 million per year, but, if necessary, can be raised by staff recommendation via a Commission resolution at any time.").

On August 21, 2008, the Commission issued Resolution T-17162 to increase the fund's appropriation cap from \$55 million to \$80 million. The Commission increased the cap in order to cover the additional expenses resulting from expansions to the CTF, as adopted in D.08-06-020.

On August 18, 2011, the Commission issued Resolution T-17333 to increase the fund's appropriation cap from \$80 million to \$92.234 million. The Commission increased the cap in order to accommodate the discounts given to a growing list of approved organizations.

3. Community College Cap on CTF Discounts

Upon initially expanding the CTF to include community colleges, the Commission placed a cap on the total CTF discounts received by community colleges.³ The purpose of the cap is to ensure that the eligibility of Community Colleges does not negatively impact the other CTF program participants.⁴ The Commission originally set the cap at \$7.200 million, based on 2007 dollars.⁵ The cap is adjusted annually based on the Western Consumer Price Index.⁶

On August 18, 2011, the Commission issued Resolution T-17333 to increase the Fiscal Years 2010-11 and 2011-12 caps on total discounts available to community colleges by \$2.3 million per fiscal year. These augmentations account for CTF-eligible expenses which were not accurately captured within the original estimations in D.08-06-020.

Resolution T-17333 also set the cap on total CTF discounts available for eligible community colleges for Fiscal Year 2012-13. Pursuant to D.08-06-020, the Commission increased the cap according to changes in the Western Consumer Price Index, to \$10.865 million for Fiscal Year 2012-13.

Table 1. Cap on the total CTF discounts received
by Community Colleges.

³ Id., Conclusion of Law 7.

⁴ Id. at 28.

⁵ Id. at 28 and Conclusion of Law 7.

⁶ Id.

Fiscal Year	Community College Cap
2010-11	\$10,393,000
2011-12	\$10,599,000
2012-13	\$10,865,000

4. CTF Outreach

In August 2011, the Commission contracted outreach services for the CTF from Richard Heath and Associates, Inc. The outreach campaign will last at least two years and is intended to raise awareness and participation among eligible community based organizations, hospitals and health clinics.

NOTICE/PROTESTS

Notice of the CTF-AC's proposed budget for Fiscal Year 2013-14 was published in the Commission's Daily Calendar on June 18, 2012. The Communications Division (CD) did not receive any protests.

DISCUSSION

1. Supplemental Budgets for Fiscal Years 2011-12 and 2012-13

In August 2011, the same month the outreach contract was awarded, the Commission adopted Resolution T-17333 to set the budget for Fiscal Year 2012-13. In that resolution, the Commission noted the uncertainty surrounding the impact of the outreach efforts and, as a result, the possibility of future augmentations to the budgets for Fiscal Years 2011-12 and 2012-13.

The Commission now has experience with, and results from, the outreach efforts. Thus, in this Resolution, CD proposes additional funding needed for Fiscal Years 2011-12 and 2012-13. The supplemental funding is required to cover the costs of higher claim expenses, due to the additional organizations approved to receive the CTF discount as a result of the outreach efforts.

In order to measure the effects of the anticipated increase in participation, CD used estimates for the number of approved applicants for each fiscal year and the average

discount per customer. For Fiscal Year 2011-12, CD estimated the number of approved applicants based on applications received through June 2012, and the historical approval rate. For Fiscal Years 2012-13, CD used projections of the number of applications, as provided by Richard Heath and Associates, data collected within carriers' claims for reimbursement, and other data provided by carriers.

CD's estimates for the supplemental budgets for Fiscal Years 2011-12 and 2012-13 are summarized in Table 2, below.

Table 2. Supplemental Budgets for Fiscal Years
 2011-12 and 2012-13.

Fiscal Year	Adopted Budget	Supplemental Budget	Percentage of Adopted
2011-12	\$ 75,207,000	\$ 1,179,000	2%
2012-13	\$ 92,234,000	\$ 4,078,000	4%
TOTAL		\$ 5,257,000	

2. Fiscal Year 2013-14 Budget

(A) Summary

CD recommends a CTF budget for Fiscal Year 2013-14 in the amount of \$117.233 million.

As set forth in CD's proposed Fiscal Year 2013-14 budget in Appendix A, \$111.451 million is for payments to carriers providing CTF discounted services; \$50,000 for interest payments; \$750,000 for financial and compliance audits; \$34,000 for Advisory Committee expenses; \$1.112 million for CPUC staff costs; \$289,000 for inter-agency costs; \$2.148 million for programming and automation expenses; and \$1.400 million for outreach services.

The majority of the CTF budget will pay for claims filed by carriers for reimbursement of monthly CTF discounts. When carriers file claims, they also submit important details concerning CTF discounts to approved customers. CD uses this information, in conjunction with carriers' forecasts of claims, to develop the estimate for claims expenses for Fiscal Year 2013-14.

(B) Fiscal Year 2012-13 vs. Fiscal Year 2013-14

CD's budget recommendation for Fiscal Year 2013-14 of \$117.233 million is \$24.999 million (27%) greater than the prior Fiscal Year's budget of \$92.234 million (Resolution T-17333). However, taking into account the \$4.078 million augmentation discussed above, the difference between the budgets is reduced to \$20.921. The difference is due to the following reasons:

1. Carrier claims are estimated to grow from the budgeted \$86.646 million (or \$90.724 with the previously mentioned \$4.078 million augmentation) for Fiscal Year 2012-13 to \$111.451 million for Fiscal Year 2013-14. This increase accounts for nearly all of the difference between the budgets for Fiscal Years 2012-13 and 2013-14, and is due to the expected growth in the number of approved entities. From 2009 to 2011, the number of CTF-approved applicants has increased approximately 25% annually. Furthermore, the CTF is currently benefiting from the outreach campaign. CD anticipates that the outreach efforts will further increase CTF participation through Fiscal Year 2013-14.
2. CD anticipates an increase of \$194,000 between expenses for Interagency Fees, Audits, Banking and Commission Staff. In total, these expenses account for \$2.151 million of the total recommended budget for Fiscal Year 2013-14.

(C) CD's Proposal vs. CTF-AC's Proposal

CD's budget recommendation for Fiscal Year 2013-14 is \$20.337 million more than the CTF-AC's proposed budget. The \$20.337 million reflects CD's higher claim forecasts, and is partially offset by CD's lower projections for other expenses. CD used more up-to-date claims data, including forecasts from Richard Heath and Associates, Inc.

3. Increase in CTF Appropriations Cap

The CTF budget for Fiscal Year 2013-14, which is to be adopted in this Resolution, is \$117.233 million. This amount exceeds the \$92.234 million appropriations cap as set by Resolution T-17333, adopted August 18, 2011. Therefore, CD also recommends the CTF appropriations cap be raised to \$117.233 in order to accommodate program expenses, beginning with Fiscal Year 2013-14.⁷

4. Community College Cap

Pursuant to D.08-06-020, the Commission raises the cap on total CTF discounts available for eligible community colleges. The increase is according to changes in the Western

⁷ See D.08-06-080, Finding of Fact 4.

Consumer Price Index. Thus, CD recommends an increase of \$302,000, from \$10.865 million to \$11.167 million, for the California Community College cap for Fiscal Year 2013-14.

5. Conclusion

In light of the above discussions, CD recommends the following budget items for the CTF as appropriate and reasonable:

- (1) a supplemental budget of \$1.179 million for Fiscal Year 2011-12;
- (2) a supplemental budget of \$4.078 million for Fiscal Year 2012-13;
- (3) a budget of \$117.233 million for Fiscal Year 2013-14;
- (4) a CTF appropriations cap increase from \$92.234 million to \$117.233 million;
- and,
- (5) a cap of \$11.167 million on the total CTF discounts available for California community colleges for Fiscal Year 2013-14.

Therefore, CD respectfully recommends that the Commission adopts the proposals set forth above.

NOTICE OF AVAILABILITY AND COMMENTS

In the past, to comply with PU Code Section 311(g), the Commission had served a hard copy of resolutions regarding CTF budgets to all telecommunications carriers and the parties of record in R. 95-01-020/I95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, on July 24, 2012, CD e-mailed a notice letter informing telecommunications carriers serving CTF customers, members of the CTF-AC, and the parties of records in R. 95-01-020/I95-01-021 and R.06-05-028 of the availability of this draft resolution for comments, as well as the conformed resolution, if adopted by the Commission, on the Commission web-site at www.cpuc.ca.gov.

FINDINGS

1. The California Teleconnect Fund was adopted in Decision 96-10-066, effective October 25, 1996, to provide discounted rates for a family of telecommunications services for qualifying schools, libraries, government-owned health care providers, and community based organizations.

2. In October 1999, Public Utilities Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
3. Public Utilities Code Section 280(d) requires that the Commission use the money appropriated from the CTF fund only for the purpose of the fund.
4. The CTF cap can, if necessary, be raised by staff recommendation via a Commission resolution at any time.
5. On July 12, 2001, the Commission issued Resolution T-16542 to increase the fund's appropriation cap from \$50 million to \$55 million.
6. On June 12, 2008, Commission D.08-06-020 ordered changes to the CTF, which included, among other things: the removal of the CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis, and the inclusion of community colleges, California Telehealth Network participants and non-profit community based organizations providing 2-1-1 Information and Referral Services to the CTF.
7. On August 21, 2008, the Commission issued Resolution T-17162 to increase the fund's appropriation cap from \$55 million to \$80 million.
8. On August 18, 2011, the Commission issued Resolution T-17333 to increase the fund's appropriation cap from \$80 million to \$92.234 million.
9. D.08-06-020 limits the participation of community colleges in the CTF program to \$7.2 million per year, in 2007 dollars, adjusted annually based on Western-CPI.
10. On August 18, 2011, the Commission issued Resolution T-17333 to increase the Fiscal Year 2010-11 and Fiscal Year 2011-12 caps on total discounts available to community colleges by \$2.3 million per fiscal year.
11. On August 18, 2011, the Commission issued Resolution T-17333 to set the cap on total CTF discounts available for eligible community colleges at \$10.865 million for 2012-13.
12. In a letter dated May 31, 2012, the CTF Administrative Committee submitted to the Executive Director a proposed budget of \$96.893 million for Fiscal Year 2013-14, as set forth in Appendix A.

13. The California Teleconnect Fund Administrative Committee's proposed budget for Fiscal Year 2013-14 was noticed in the Commissions Daily Calendar of June 18, 2012. CD did not receive any protests.
14. CD's proposed CTF Fiscal Year 2013-14 budget of \$117.233 million, as set forth in Appendix A, is reasonable and should be adopted.
15. A supplemental budget of \$1.179 million for Fiscal Year 2011-12, to pay for higher claim expenses resulting from the outreach campaign, is reasonable and should be adopted.
16. A supplemental budget of \$4.078 million for Fiscal Year 2012-13, to pay for higher claim expenses resulting from the outreach campaign, is reasonable and should be adopted.
17. An increase of \$24.999 million, from \$92.234 million to \$117.233 million, to the annual appropriations cap for the California Teleconnect Fund, is reasonable and should be adopted.
18. The cap on community college participation in the CTF program should be set at \$11.167 million for Fiscal Year 2013-14.
19. On July 24, 2012, telecommunications carriers serving CTF customers, members of the CTF-AC, and the parties of records in R. 95-01-020/I95-01-021 and R.06-05-028 were informed of the availability of the draft resolution for comments, and when adopted by the Commission, on the Commission web site at www.cpuc.ca.gov.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund supplemental budget for Fiscal Year 2011-12 of \$1,179,000, as set forth in Appendix B of this Resolution, is adopted.
2. The California Teleconnect Fund supplemental budget for Fiscal Year 2012-13 of \$4,078,000, as set forth in Appendix C of this Resolution, is adopted.
3. The California Teleconnect Fund budget for Fiscal Year 2013-14 of \$117,233,000, as set forth in Appendix A of this Resolution, is adopted.

4. The annual appropriations cap for the California Teleconnect Fund is increased from \$92,234,000 to \$117,233,000.
5. The total California Teleconnect Fund discounts available to community colleges are \$11,167,000 million for Fiscal Year 2013-14.

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 August 23, 2012, the following Commissioners voting favorable thereon:

PAUL CLANON
Executive Director

APPENDIX A
California Teleconnect Fund
Public Programs :: Expense Budget (\$000s)
Fiscal Year 2013-2014 :: July 1, 2013 through June 30, 2014

	FY 12-13	FY 13-14	FY 13-14	FY 13-14
PROGRAM EXPENSES	Resolution T-17333	Submitted by CTF-AC	Proposed by CD	Adopted
A. Carrier Claims	\$86,646	\$90,000	\$111,451	\$111,451
B. Interest for Untimely Payment	\$50	\$50	\$50	\$50
C. Administrative Committee-Per Diem	\$8	\$8	\$8	\$8
D. Administrative Committee-Travel and Others	\$18	\$18	\$18	\$18
E. Administrative Committee-Special Needs Accommodation	\$8	\$8	\$8	\$8
F. Audits	\$1,100	\$1,400	\$750	\$750
G. Banking Fee	\$0	\$5	\$0	\$0
H. Interagency Cost	\$53	\$56	\$289	\$289
I. CPUC Staff Costs	\$804	\$804	\$1,112	\$1,112
J. Programming and Document Storage (Claims Automation)	\$2,147	\$3,147	\$2,148	\$2,148
K. Outreach	\$1,400	\$1,400	\$1,400	\$1,400
L. Total Program Expenses	\$92,234	\$96,896	\$117,233	\$117,233

End of Appendix A

APPENDIX B
 California Teleconnect Fund
 Public Programs :: Expense Budget (\$000s)
 Fiscal Year 2011-2012 :: July 1, 2011 through June 30, 2012

		FY 11-12 Budget	Supplemental	Supplemental
		Adopted by	FY 11-12	FY 11-12
	PROGRAM EXPENSES	Resolution T-17290	Proposed by CD	Adopted
a	Carrier Claims	\$ 71,461	\$ 1,179	\$ 1,179
b	Interest for Untimely Payment	\$ 50	\$ -	\$ -
c	Administrative Committee - Per Diem	\$ 8	\$ -	\$ -
d	Administrative Committee - Travel and Others	\$ 18	\$ -	\$ -
e	Administrative Committee- Special Needs Accommodations	\$ 8	\$ -	\$ -
f	Audits	\$ 1,400	\$ -	\$ -
g	Banking Fee	\$ 6	\$ -	\$ -
h	Interagency Cost	\$ 165	\$ -	\$ -
i	CPUC Staff Costs	\$ 686	\$ -	\$ -
j	Programming and Document Storage	\$ 5	\$ -	\$ -
k	Outreach	\$ 1,400	\$ -	\$ -
m	Total Program Expenses	\$ 75,207	\$ 1,179	\$ 1,179

End of Appendix B

APPENDIX C
California Teleconnect Fund
Public Programs :: Expense Budget (\$000s)
Fiscal Year 2012-2013 :: July 1, 2012 through June 30, 2013

		FY 12-13 Budget	Supplemental	Supplemental
		Adopted by	FY 12-13	FY 12-13
	PROGRAM EXPENSES	Resolution T-17333	Proposed by CD	Adopted
a	Carrier Claims	\$ 86,646	\$ 4,078	\$ 4,078
b	Interest for Untimely Payment	\$ 50	\$ -	\$ -
c	Administrative Committee - Per Diem	\$ 8	\$ -	\$ -
d	Administrative Committee - Travel and Others	\$ 18	\$ -	\$ -
e	Administrative Committee- Special Needs Accommodations	\$ 8	\$ -	\$ -
f	Audits	\$ 1,100	\$ -	\$ -
g	Banking Fee	\$ -	\$ -	\$ -
h	Interagency Cost	\$ 53	\$ -	\$ -
i	CPUC Staff Costs	\$ 804	\$ -	\$ -
j	Programming and Document Storage	\$ 2,147	\$ -	\$ -
k	Outreach	\$ 1,400	\$ -	\$ -
m	Total Program Expenses	\$ 92,234	\$ 4,078	\$ 4,078

End of Appendix C