

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

**Communications Division  
Consumer Programs Branch**

**RESOLUTION T-17290**  
September 2, 2010

**RESOLUTION**

Resolution T-17290. Approval of the California Teleconnect Fund Administrative Committee Budget for Fiscal Year 2011-12 (to Comply with the Requirements of Public Utilities Code Section 273(a)).

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**SUMMARY**

This Resolution adopts a budget of \$75.207 million for Fiscal Year (FY) 2011-12 for the California Teleconnect Fund (CTF) Program.

In addition, this resolution sets a cap of \$8.299 million as the total CTF discounts available for California Community Colleges for FY 2011-12.

**BACKGROUND**

The CTF was adopted 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 (CBOs).

In October 1999, Public Utilities (PU) Code Sections 270-281 were enacted by Senate Bill (SB) 669 (Stats. 1999, Chapter 677). PU Code Sections 270-281 require, among other things, that the money appropriated from each of the funds be used only for the purpose of that fund.

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: (1) an expansion of CTF-eligible services, (2) the removal of CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis, and (3) the inclusion of California's Community Colleges, California Telehealth Network participants and non-profit CBOs providing 2-1-1 Information and Referral Services in the CTF program.<sup>1</sup> Lastly, in this Decision, the Commission placed a cap of \$7.200 million per year, adjusted annually based on Western Consumer Price Index, on total CTF discounts received by California Community Colleges.

On July 9, 2010, the CTF Administrative Committee (CTF-AC) submitted a letter to the Commission's Executive Director seeking approval of a proposed budget of \$73.745 million for FY 2011-12. This budget recommendation was filed in accordance with Paragraph 4.1 of the CTF-AC charter. Details of this proposed budget can be found in Appendix A.

The CTF program is funded by a surcharge assessed by wireline and wireless carriers on consumer's intrastate telecommunication services. The current surcharge rate is 0.079%.

## **NOTICE/PROTESTS**

Notice of the CTF-AC's proposed budget for FY 2011-12 was published in the Commission's Daily Calendar on July 12, 2010. The Communications Division (CD) did not receive any protests related to the notice.

## **DISCUSSION**

### **1. CTF Budget**

In this Resolution, the Commission adopts the CTF budget for FY 2011-12 in the amount of \$75.207 million.

Appendix A of this resolution shows the FY 2011-12 CTF budget as proposed by CD in August 2010. This budget includes, among other things, sufficient funds to pay for

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<sup>1</sup> CBOs providing 2-1-1 Referral and Information Services must be authorized by the Commission through a resolution process to participate in the CTF program.

audits, state overhead and committee expenses. Of CD's \$75.207 million proposed budget for FY 2011-12, \$71.461 million is for payments to carriers providing CTF discounted services; \$50,000 for interest payments; \$1.400 million for financial, compliance and surcharge remittance audits; \$6,000 for banking fees; \$34,000 for Advisory Committee expenses; \$686,000 for CPUC staff costs; \$165,000 for inter-agency costs; \$5,000 for programming and maintaining the electronic and monitoring systems; and \$1.400 million for outreach.

The majority of the CTF budget will pay for claims, which are filed by carriers, for reimbursement of monthly CTF discounts. To help develop an estimate for the claims expense, CD solicited a forecast of claims for FY 2011-12 from carriers. CD anticipates that total claims expense will increase because of several factors. First, CD approved a total of 1,025 applications during FY 2009-10, and CD believes the program will continue to grow through FY 2011-12. Also, CD expects an increase in total claims expenses due to recent Federal and State initiatives, such as the National Broadband Plan, potential changes to the Universal Services Administrative Company's E-Rate program, the America Recovery and Reinvestment Act (ARRA), and the California Advanced Services Fund. CD accounted for these factors in the amount budgeted for carriers' claims.

#### **Fiscal Year 2010-2011 vs. Fiscal Year 2011-12**

CD's FY 2011-12 budget recommendation of \$75.207 million is \$5.300 million (7.6%) greater than the prior fiscal year's budget of \$69.907 million (Resolution T-17214). The increase is due to the following reasons:

1. Carrier claims are estimated to grow from \$66.188 million to \$71.461 million in FY 2011-12. This \$5.273 million increase is a result of increased participation, program expansions mandated by D.08-06-020, and the effects of recent Federal and State broadband initiatives.
2. CD anticipates Interagency Fees will grow to \$165,000 for FY 2011-12, a \$26,000 increase from FY 2010-11.

#### **CD Proposal vs. CTF-AC Proposal**

CD's FY 2011-12 budget recommendation is \$1.462 million more than the CTF-AC's proposed budget. The CTF-AC budgeted \$70.000 million for carriers' claims, while CD estimates \$71.461 million. CD used more up-to-date claims forecasts (provided by CTF participating carriers) as compared to those used by the CTF-AC. Also, CD increased

the amount budgeted for Banking Fees, from \$5,000 to \$6,000, as a result of its use of more up-to-date information.

## **2. California Community College Cap**

Pursuant to D.08-06-020, the Commission raises the cap on total CTF discounts available for eligible California Community Colleges. Based on changes in the Western Consumer Price Index, the California Community College cap will increase by \$206,000, to \$8.299 million for FY 2011-12.<sup>2</sup>

In light of the above discussions, CD believes its proposed CTF budget of \$75.207 million for FY 2011-12, which includes a budget cap of \$8.299 million for California Community Colleges, is appropriate and reasonable. Therefore, CD respectfully recommends that the Commission adopt CD's proposal.

## **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 30, 2010, 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 as well as the conformed resolution, when adopted by the Commission, on the Commission web-site at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

The Communications Division did not receive any comments regarding this resolution.

## **FINDINGS**

1. In October 1999, Public Utilities (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.

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<sup>2</sup> D.08-06-020, Conclusion of Law No. 7 states, "The Commission should limit the participation of community colleges in the CTF program to \$7.2 million per year, adjusted annually based on Western-CPI."

2. PU Code Sections 270-281 require that the money appropriated from each of the funds be used only for the purpose of that fund.
3. On June 12, 2008, Commission Decision (D.) 08-06-020 ordered changes to the CTF, which included, among other things: (1) the expansion of eligible services, (2) the removal of the CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis, and (3) 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 to the California Teleconnect Fund program.
4. D.08-06-020 limits the participation of California Community Colleges in the CTF program to \$7.2 million per year, adjusted annually based on Western-CPI.
5. The cap on California Community College participation in the CTF program should be increased to \$8.299 million for Fiscal Year 2011-12, consistent with D.08-06-020.
6. On July 9, 2010, the CTF Administrative Committee (CTF-AC) submitted its Fiscal Year (FY) 2011-12 proposed budget of \$73.745 million, as set forth in Appendix A, to the Executive Director.
7. The California Teleconnect Fund Administrative Committee's (CTF-AC) proposed budget for FY 2011-12 was noticed in the Commissions Daily Calendar of July 12, 2010.
8. The Communications Division's (CD) proposed CTF FY 2011-12 budget of \$75.207 million, as set forth in Appendix A, is reasonable and should be adopted.
9. 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, when adopted by the Commission, on the Commission web site at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).
10. The Communications Division did not receive any comments on the CTF-AC's proposed budget, as well as the draft resolution.

**THEREFORE, IT IS ORDERED that:**

1. The California Teleconnect Fund (CTF) FY 2011-12 budget of \$75,207,000 as set forth in Appendix A of this Resolution is adopted.
2. The cap on total CTF discounts available for eligible California Community Colleges is increased from \$8.093 million for FY 2010-11 to \$8.299 million for FY 2011-12.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 2, 2010. The following Commissioners approved it:

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/s/ Paul Clanon

PAUL CLANON  
Executive Director

MICHAEL R.PEEVEY  
President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

**APPENDIX A**  
California Teleconnect Fund  
Public Programs :: Expense Budget (\$000s)  
FY 2011-12 :: July 1, 2011 through June 30, 2012

**End of Appendix A**