

Mailed: August 22, 2008

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Program Management and Implementation Branch**

RESOLUTION T-17162
August 21, 2008

R E S O L U T I O N

Resolution T-17162. Approval of the California Teleconnect Fund Administrative Committee Budget for Fiscal Year 2009-10 (to Comply with the Requirements of Public Utilities Code Sections 273(a)) and an Increase of the California Teleconnect Fund Appropriations Cap.

SUMMARY

This Resolution adopts the following provisions for the California Teleconnect Fund (CTF) Program:

- (1) a budget of \$60.340 million for Fiscal Year (FY) 2009-10 (an increase of 82% from FY 08-09 budget);
- (2) a supplemental budget of \$13.352 million for FY 2008-09 claims resulting from Decision 08-06-020.
- (3) a CTF annual budget cap increase from \$55 million to \$80 million; and

These budget adjustments are needed to account, among other things, for the additional CTF carriers' claim reimbursements resulting from the inclusion of the California Telehealth Network (CTN) participants, California Community Colleges, non-profit community based organizations (CBOs) providing 2-1-1 information and referral services, and Internet access services in the program, pursuant to Decision (D.) 08-06-020.

BACKGROUND

The CTF was implemented under Decision (D.) 96-10-066 on October 25, 1996. In that 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 family of telecommunications services for qualifying schools and libraries, government-owned hospitals and health clinics, and CBOs.

In October 1999, Public Utilities (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). Section 270(b) requires that the monies in the CTF and five other funds may only be expended pursuant to Sections 270-281 and upon appropriation in the annual Budget Act.

In D.96-10-066, issued October 25, 1996, the Commission adopted the initial annual funding of \$50 million for the CTF. 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. This fund cap increase went into effect on July 1, 2002.

On June 1, 2008, the CTF Administrative Committee (CTF-AC) submitted a letter request to the Commission's Executive Director seeking approval of a proposed budget of \$47.143 million for FY 2009-2010. This budget request was filed in accordance with Paragraph 4.1 of the CTF-AC charter. Details of this proposed budget can be found in Appendix A.

In D.08-06-020, issued on June 12, 2008, the Commission concluded a review of the CTF program as part of its overall review of universal service public policy programs in R.06-05-028. In that decision, 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 tariff requirements for non-rate-of-return carriers, and (3) the inclusion of California Community Colleges, California Telehealth Network participants and non-profit CBOs providing 2-1-1 Information and Referral Services to the CTF program.

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

NOTICE/PROTESTS

Notice of the proposed CTF budget for FY 2009-10 was published in the Commission's Daily Calendar on July 21, 2008.

DISCUSSION

1. Adoption of the budget for FY 2009-10

In this Resolution, the Commission adopts the following CTF Budget:

- The budget for FY 2009-10 in the amount of \$85.848 million.

To establish a FY 2009-10 budget for the CTF program, the CTF-AC submitted a budget proposal of \$47.143 million on June 1, 2008 in accordance with its charter. With the subsequent issuance of Commission D.08-06-020 expanding the CTF program, the Communication Division (CD) reassessed the CTF-AC proposed budget. The CD determined that a FY 2009-10 budget of \$85.848 million is more accurate as it is reflective of the changes of D.08-06-020. Appendix A of this Resolution shows the FY 2009-10 CTF budget as proposed by the CTF-AC in June 2008 and as subsequently modified by CD.

CD's proposed FY 2009-10 budget includes sufficient funds to pay for audits, state overhead, outreach expenses and committee expenses. Of CD's \$85.848 million proposed budget for FY 2009-10, \$83.755 million is for payments and interest for claims submitted by the carriers providing CTF discounted services, \$35,000 for financial, compliance and surcharge remittance audits, \$10,000 for banking fees, \$22,000 for Advisory Committee expenses, \$803,000 for CPUC Staff Costs, \$323,000 for inter-agency costs, \$50,000 for programming and maintaining the electronic and monitoring systems and \$850,000 for outreach/marketing.

CD Proposal vs. CTF-AC Proposal

CD's FY 2009-10 Budget recommendation differs from the CTF-AC's proposed budget by \$38.705 million, as indicated in Table A below. The entire difference is due to the

amount budgeted for carriers' claims. The CTF-AC budgeted \$45 million for carriers' claims, while the CD estimates \$83.705 million. More specifically, the CD has added funds to cover additional CTF-eligible services as mandated by D.08-06-020, particularly Internet access and wireless services. Also, CD has included \$15.026 million for claims related to D.08-06-020 that will be for the FY 2008-09 expenses. The \$15.026 million is necessary because the appropriation for FY 2008-09 has already been established and does not take into account the newly mandated changes to the CTF program.

Table A
CTF Budget for Fiscal Year 2009-10
(Dollars in Millions)

<u>Program Expenses</u>	<u>Proposed by AC</u>	<u>Proposed by CD</u>	<u>Difference</u>
Carrier Claims	\$45.000	\$83.705	\$38.705
Other	2.143	2.143	0
Total Program Expenses	47.143	85.848	38.705

FY 08-09 vs. FY 09-10

The CD's budget recommendation for FY 2009-10 is significantly greater than the previous budget for FY 2008-09. The adopted budget for FY 2008-09 is \$33.202 million¹. CD's budget recommendation for FY 2009-10 is \$85.848 million, which reflects an increase of 158% in total program costs. Nearly all of this increase is a direct result of higher carrier claims. Carrier claims are expected to grow by \$52.563 million from the adopted FY 2008-09 CTF budget of \$31.142 million to the proposed FY 2009-10 CTF budget of \$83.705 million. It should be noted that \$15.026 million of this growth is a one-time transitional element intended to provide a sufficient CTF budget to accommodate expected program expenditures (as discussed more fully later in this Resolution) for FY 2008-09. Hence, the true carrier claims growth between FY 2008-09 and 2009-10 is from \$31.142 million to \$68.679 million (an 120% increase). This growth is summarized in Table B and discussed below:

¹ Resolution T-17104 issued August 23, 2007

Table B
CTF Claims, FY 08-09 vs. FY 09-10
(Dollars in Millions)

<u>Components of CTF Claims</u>	<u>Adopted FY 08-09</u>	<u>Proposed by CD FY 09-10</u>	<u>Difference</u>
a. Carrier's Forecasts	\$27.695	\$32.381	\$4.686
b. CD adjustments	3.447	1.425	-2.022
c. D.08-06-020			
i. California Telehealth Network	0	0.650	0.650
ii. CA Community Colleges	0	7.874	7.874
iii. Internet Service	0	8.942	8.942
iv. Wireless Service	0	17.406	17.406
d. FY 08-09 Expenses Related to D.08-06-020	0	15.026	15.026
Total Amount Budgeted for Carrier Claims	31.142	83.705	52.563

- a. \$4.686 million is for an increase from FY 2008-09 in carriers' claims forecasts. For FY 2008-09, CTF-participating carriers forecast \$27.695 million in claims; for FY 2009-10, CTF-participating carriers forecast \$32.381 million in claims. For major changes, the CD has contacted the carriers to confirm their claims forecast. The growth is the result of a higher projection from carriers for CTF claims.
- b. \$1.426 million is for an upward adjustment made by the CD. This adjustment accounts for the historical underestimation of claims forecasted by certain carriers and rate changes.
- c. An additional \$34.872 million of expected claims is a direct result of the changes and expansions to the CTF program as mandated by D.08-06-020. The \$34.872 million is the budget for the following:
 - i. \$0.650 million for claims related to the California Telehealth Network²;
 - ii. \$7.874 million for claims related to California's Community Colleges³;
 - iii. \$8.942 million for the estimated increase in Internet access services. This estimate is based on a survey sent by CD to gather quantity and price data on Internet, wireline and wireless services from CTF-participating CBOs. CD determined averages for the number of Internet lines and price per line, and applied the results to all CTF participants, allowing some room for expected growth. Thus, CD was able to estimate the cost to the CTF program related to Internet access services at \$8.942 million.
 - iv. \$17.406 million for claims related to wireless communications services.

² Footnote No.148 of D.08-06-020 states, "The total cost estimate of the CTN submitted to the FCC was in excess of \$26 million over three years. The FCC Pilot pays 85% of those costs, leaving \$1.3 million per year not funded by the federal program. At most CTF would pay half that annual cost, but as noted above, some of those costs are for ineligible services so the actual payments from CTF will be less than \$650,000 per year".

³ Conclusion of Law No.7 of D.08-06-020 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".

The projected CTF claim amount for existing wireless services for CBOs, hospitals and health clinics was derived by applying the survey's data on the average number of wireless telephone lines and the average cost per line to all these entities in this group. Additionally, CD also took into account of the growth rate of CTF participation in order to project the costs related to new applicants throughout the year.

To determine the number of existing regular wireless service lines for schools and libraries, CD assumed that each approved entity subscribes to the same number of wireless services as their number of measured business lines (1MBs) subscriptions.⁴ The total cost of these lines is a product of forecasted wireless lines and the average price from the CBO survey.

Finally, CD performed an analysis of the "substitution effect", so as to take into account of those 1MBs that will be replaced by wireless service lines. In its analysis, CD applied the annual rate of decline in land lines to the number of measured business lines in order to determine the quantity of land lines that will be replaced by wireless service lines⁵. The cost of the incremental wireless services from the substitution effect is net of the savings from the eliminated 1MBs.

- d. An additional \$15.026 million will pay for FY 2008-09 claims related to the services and customers that became CTF eligible pursuant to D.08-06-020. This is a necessary transition due to the timing of D.08-06-020; the decision was issued after the establishment of the CTF budget for the FY 2008-09. The \$15.026 reflects a late calendar year 2008 implementation of Decision 08-06-020. As indicated earlier, this item is expected to have a one-time impact on the CTF budget.

2. Increase in CTF Annual Budget Cap

⁴ In developing this assumption, CD considered two sources of information: (1) *FCC Local Telephone Competition Report* at Tables 7 and 14, March 2008, available at <http://www.fcc.gov/wcb/iatd/comp.html>; and (2) a survey sent by the CD to CTF-participating CBOs.

⁵ *Residential Telephone Subscribership and Universal Service*, California Public Utilities Commission, June 2008

The CTF Budget for FY 2009-10, which is to be adopted in this Resolution, is \$85.848 million. This amount far exceeds the \$55 million Appropriations Cap as set by Resolution T-16542 (July 12, 2001). Therefore, the CD also recommends the CTF Appropriations Cap be raised to accommodate the projected claim expenses and other expenditures.⁶

Changes to the CTF program, as mandated by D.08-06-020, include an expansion of eligible service providers, end users, and services. CD staff estimates these changes will result in approximately \$49.898 million of additional claims for FY 2008-09 and FY 2009-10. In addition, CD recognizes a need to account for the expected growth of CTF claims over the next couple of years. Therefore, CD recommends that the current CTF funding cap be increased from \$55 million to \$100 million to allow for additional growth in the CTF program expenditures beginning with FY 2009-10.

NOTICE OF AVAILABILITY AND COMMENTS

In compliance with PU Code Section 311(g), the Commission had served a hard copy of prior 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 22, 2008 the 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 on 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.

COMMENTS

1. Opening Comments

Verizon California Inc.'s Comments

On August 6, 2008, Verizon filed comments on the draft resolution and made, among other things, the following arguments:

⁶ Decision 08-06-020 states that, "The CTF is capped at \$55 million per year, but, if necessary, can be raised by staff recommendation via a Commission resolution at any time" (53).

- The intent of D.08-09-020 was to make wireless Internet access services CTF-eligible, not *all* wireless services. None of the ordering paragraphs in the decision expands CTF to all wireless services nor was there any discussion in the entire record of R.06-05-028 that suggests that the Commission intended to expand the CTF to include wireless services. Otherwise, parties would have likely commented on the different policy issues surrounding all wireless services, particularly, whether providing discounts on these services, (a) fits in the California's goal of offering advanced services to qualifying entities, (b) it makes sense to provide wireless phones to all CTF service participants' employees, and (c) should be limited to wireless services only exclusive of the device; and
- CD errs in calculating the magnitude of the proposed budget increase. As a result, Verizon recommends that the Commission should direct CD to remove any amounts related to wireless services, but include a forecasted amount for wireless Internet service after performing an analysis on this issue.

Division of Ratepayer Advocate's (DRA) Comments

On August 6, 2008, DRA filed comments on the draft resolution and made several points, specifically the following:

- The proposed FY 09-10 CTF budget in the draft resolution should not be adopted by the Commission because it includes wireless and Internet services that are not supported by the record in R.06-05-028. The proposed budget may have included services that are not equivalent to existing CTF services. Therefore, the Commission should first clarify which additional "wireless" and "Internet" services should be subsidized by the CTF program. Otherwise, the budget should be composed of only the CTF AC's proposed budget plus the cost of funding the CTN and California Community Colleges;
- CD's forecasted amount of \$8.942 million for Internet services may have already been included in the Carrier Claims forecast; and
- CD's forecasted amount of \$17.406 million for wireless services appeared to cover the equivalent of the additional minutes for monthly recurring charge for wireless services. Currently, the CTF does not subsidize the usage in 1 MB that is provided by wireline carriers. Thus, subsidizing the usage for wireless services

would not be competitively neutral for wireline carriers. In addition, DRA asserts that the purpose of 1 MB at one time was used to facilitate dial-up service to connect to the Internet. However, this service no longer accomplishes the universal goal and therefore, the Commission should consider eliminating 1 MB from the list of CTF-eligible service.

Butte County Office of Education's (BCOE) Comments

On August 6, 2008, BCOE filed comments and made the following points:

- The CTF program should be expanded to include California Community Colleges.
- The proposed CTF service expansions to mirror those that are eligible under the E-rate program, such as cellular services that could include usage, will significantly increase the Commission's administrative overhead costs as it requires tracking, monitoring, and auditing of cell phone usage similar to those functions conducted by the E-rate staff. Even though Internet access monitoring and auditing may not be as burdensome, it will still add significant costs to the fund. Therefore, implementing a moderate increase in the budget to include community colleges in the fund will ensure adequate funding for these colleges as well as existing K-12 school participants to meet their connectivity needs.

2. Reply Comments

On August 13, 2008, DRA filed its reply comments as follows:

- Although DRA concurs with Verizon's comments to include the costs associated for wireless Internet service only in the CTF budget, DRA, however, recommends that the Commission: (1) determine the impact of substituting technologies and the expected growth in the Internet access service prior to computing the budget increase; and (2) re-evaluate the 1 MB subsidy because it does not bridge the digital divide;
- DRA believes that input from CTF participants and carriers could resolve the issues raised by Verizon regarding the CD's methodology of calculating the proposed budget, particularly the wireless services;

- DRA shares BCOE's concern regarding the preservation of on-going funding for CTF entities; and
- DRA recommends that the Commission reject the budget as proposed in the draft budget proposal that was issued on July 22, 2008, but adopt the CTF-AC proposed budget of \$47.13 plus the additional budget for the CTN and California Community Colleges.

3. Discussion of Comments

We have reviewed the above-indicated comments and respond as follows:

Wireless and Internet Access Services

We agree, at this point in time, with Verizon's contention that only wireless Internet access services, rather than *all* wireless services, should be included in the CTF budget. DRA's Reply Comments also concur with Verizon's position. However, DRA maintains that only California Community Colleges and CTN expansions should be included in the budget.

It is very clear that it is the Commission's intention to include Internet access services in the program. In Ordering Paragraph (OP) 5 of D.08-06-020, the decision, states:

"The list of services eligible for the CTF program in Resolution T-16742 (May 8, 2003) shall be expanded to include Internet access services."

The decision did not disclose the actual financial impact for subsidizing Internet access service because the information was not readily available when the decision was issued. However, since then, CD was able to gather the best available information through survey and apply necessary analysis to determine a reasonable estimate for the Internet access services for the CTF budget. We note that none of the comments offered methodologies or estimates on wireless internet access.

D.08-06-020 is less specific with respect to other wireless services such as wireless telephony. Recognizing this, we eliminate the \$17.406 million budgeted for wireless

services, which was intended to pay for all cellular services. We expect to revisit this issue in the technical meeting scheduled for September 2008, as discussed in detailed below.

The budget, however, should fund wireless internet access as well as other internet access modalities. We increase the amount for Internet access services by \$5.423 million, from \$8.942 million to \$14.365. This amount, in total, will pay for claims related to both landline and wireless Internet access, including cellular data plans. This estimate is based on quantity information determined via the previously mentioned survey and an analysis of applicable pricing models.

The \$14.365 million also accounts for internet estimates already included as part of the carrier forecasts. While there were some carriers that included Internet access service estimates in their claim forecasts, the majority of CTF participating carriers did not. With a few exceptions, those carriers that did include internet access services, the internet portion represented a small percentage of their CTF claims. Nevertheless, the \$14.365 million budgeted for “Carrier Claims – Internet Services” is net of internet claims in the carriers’ claims forecast which should alleviate DRA’s concerns regarding “double counting”.

Measured Business Lines

We find DRA’s suggestion that 1MB lines be eliminated from the CTF program intriguing. However, we will need time to further analyze this matter and may address the issue at a later point in time.

Other Clarifications

In addition, we clarify that the removal of tariff requirements for non-rate-of return carriers as indicated in the fifth paragraph of the Background section of this resolution should have read: “...(2) the removal of the CTF tariff requirements for all carriers that provide CTF-eligible services on a detariffed or non-regulated basis,” pursuant to D.08-06-28.

Moreover, we acknowledge that further discussion or clarification is needed to determine, among other things, the number of wireless Internet access subsidy per entity, added service to Internet access service for secured transport of data for CTNs, appropriate guidance in applying CTF discounts to CTNs and California Community

Colleges, and many others. Thus, CD has scheduled a technical/working session with the carriers, CTF AC members, parties in R.06-05-018, and other interested parties on September 5, 2008 to address the issues herein.

FY 08-09 Expenses Related to D.08-06-020

Due to the revisions concerning wireless and Internet access services that are discussed above, we will adjust the amount originally proposed for FY 2008-09 Expenses Related to D.08-06-020. The original proposed estimate was \$15.026 million. CD has revisited this estimate and determined a more accurate and updated figure is \$13.352 million. Thus, the amount budgeted for FY 2008-09 Expenses Related to D.08-06-020 will decrease by \$2.990 million, from \$15.026 million to \$13.352 million.

It is necessary to budget for an additional \$13.352 million expense due to the timing of D.08-06-020; the decision was issued after the establishment of the CTF budget for the FY 2008-09. The \$13.352 reflects a late calendar year 2008 implementation of Decision 08-06-020. As indicated earlier, this item is expected to have a one-time impact on the CTF budget.

Furthermore, we will no longer list the budget item FY 08-09 Expenses Related to D.08-06-020 as a segment of the FY 2009-10 carrier claims. Rather, after conferring with the CPUC Fiscal Office and the CA Department of Finance, the revised amount of \$13.352 million will be listed as a supplemental amount to the FY 2008-09 budget. Please refer to line item “d” and “h” on Table C and Appendix C.

CD Adjustments

CD has received updated information from CTF participating carriers related to price increases and additional participation. Accordingly, we will change the amount budgeted for “Carrier Claims – CD Adjustment” from \$1.425 million to \$2.927 million, an increase of \$1.502 million.

Summary of the Changes to the Proposed Budget

As a result of several budget adjustments as discussed in the preceding paragraphs, Table C below illustrates/summarizes the changes as follows:

Table C
Summary of Changes to FY 09-10 CTF Proposed Budget
(Dollars in Millions)

<u>Components of CTF Claims</u>	<u>Original Proposal</u>	<u>Revised Proposal</u>	<u>Difference</u>
a. Carrier's Forecasts	\$32.381	\$32.381	\$0
b. CD adjustments	1.425	2.927	+1.502
c. D.08-06-020			
i. California Telehealth Network	0.650	0.650	0
ii. CA Community Colleges	7.874	7.874	0
iii. Internet Service	8.942	14.365	+5.423
iv. Wireless Service	17.406	0.000	-17.406
d. FY 08-09 Expenses Related to D.08-06-020 ¹	15.026	0.000	-15.026
e. Total Amount Budgeted for Carrier Claims	83.705	58.197	-25.508
f. Other FY 2009-10 Expenses	2.143	2.143	0
g. Total Budget for FY 2009-10	85.848	60.340	-\$25.508
<u>Supplemental Expenses</u>			
h. FY 2008-09 Expenses Related to D.08-06-020	0.000	13.352	+13.352
Grand Total	85.848	73.692	-12.156

¹ The FY 2008-09 Expenses Related to D.08-06-020 (Table C, line item "d") will no longer be listed as a subcategory of carrier claims within the FY 2009-10 CTF budget. This anticipated cost is now presented as a distinct "supplement expense" to the FY 2008-09 budget (Table C, line item "h"). The amount budgeted for FY 2008-09 Expenses Related to D.08-06-020 will decrease by \$2.674 million, from \$15.026 million to \$13.352 million.

The CTF Budget for FY 2009-2010, which includes the amounts budgeted for claims and other expenses, is summarized in Appendix B.

Revision of the CTF Cap Increase

The proposed CTF Budget for FY 2009-10 has decreased from the former amount of \$85.848 million to \$60.340 million; however, this amount far exceeds the \$55 million Appropriations Cap as set by Resolution T-16542 (July 12, 2001). Therefore, CD believes that it is appropriate to increase the CTF Appropriations Cap from \$55 million to only \$80 million, rather than \$100 million as originally proposed .

In light of the preceding discussion and several adjustments made to the proposed budget, we believe that the revised budget proposal for FY 09-10 of \$60.340 million and the annual CTF appropriation cap of \$80 million are appropriate and reasonable.

Except as modified herein or discussed above, we believe that comments filed by Verizon, DRA, and Butte COE do not have any merit and therefore are rejected.

FINDINGS

1. In October 1999, Public Utilities (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code Section 270(b) requires that the monies in the California Teleconnect Fund may only be disbursed pursuant to PU Code Sections 270-281 and upon appropriation in the annual Budget Act.
3. PU Code Section 273(a) requires that the monies in California Teleconnect Fund may only be disbursed pursuant to PU Code Sections 270-281 and upon appropriation in the annual Budget Act.
4. In July 2001, the Commission issued Resolution T-16542, which increased the California Teleconnect Fund Appropriations Cap, from \$50 million to \$55 million, in order to accommodate increased California Teleconnect Fund participation as well as the need to cover the high speed and high cost services added to the program.
5. On June 1, 2008, the California Teleconnect Fund Administrative Committee submitted their Fiscal Year (FY) 2009-10 proposed budget of \$47.143 million, as set forth in Appendix A, to the Executive Director.
6. On June 12, 2008, D.08-06-020 ordered California Teleconnect Fund program changes, 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 Community Colleges, California Telehealth Network participants and non-profit CBOs providing 2-1-1 Information and Referral Services to the California Teleconnect Fund program.

7. The California Teleconnect Fund Administrative Committee's proposed budget for FY 2009-10 was noticed in the Commissions Daily Calendar of July 21, 2008.
8. The Communications Division's proposed California Teleconnect Fund FY 2009-10 budget of \$60.340 million, as set forth in Appendix B, is reasonable and should be adopted.
9. It is necessary to raise the current California Teleconnect Fund Budget cap of \$55 million (Resolution T-16542) to \$80 million in order to cover projected expenditures for FY 2009-10 and thereafter.
10. Telecommunications carriers serving California Teleconnect Fund customers, members of the California Teleconnect Fund Administrative Committee, 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 as well as the conformed resolution, when adopted by the Commission, on the Commission web site at www.cpuc.ca.gov.
11. On August 6, 2008, Verizon California Inc.(Verizon), Division of Ratepayers Advocate (DRA), and Butte County Office of Education filed comments on this budget resolution.
12. On August 13, 2008, DRA filed reply comments on this resolution.
13. Verizon's, DRA's and BCOE's comments are addressed in this resolution. Those comments not addressed in this resolution do not have merit and therefore are denied.
14. A supplemental budget of \$13.352 million, which will pay for FY 2008-09 claims resulting from D.08-06-020, is reasonable and should be adopted.
15. The recommendations, as stated in this Resolution, are reasonable and appropriate, and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The California Teleconnect Fund FY 2009-10 budget of \$60,340,000 as set forth in Appendix B of this Resolution is adopted.

2. The California Teleconnect Fund supplemental budget of \$13,352,000, for FY 2008-09 claims related to D.08-06-020, as set forth in Appendix B of this Resolution is adopted.
3. The annual California Teleconnect Fund budget cap shall be \$80,000,000.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 21, 2008. The following Commissioners approved it:

/s/ Paul Clanon
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

APPENDIX A (ORIGINAL PROPOSAL)
California Teleconnect Fund
Public Programs :: Expense Budget (\$000s)
FY 2009-2010 :: July 1, 2009 through June 30, 2010

	FY 08-09 Adopted by Resolution T-17104	FY 09-10 Submitted by CTF-AC	FY 09-10 Proposed by CD	FY 09-10 Adopted
PROGRAM EXPENSES				
a. Carrier Claims	\$31,142	\$45,000	\$83,705	\$83,705
b. Interest for Untimely Payment	\$100	\$50	\$50	\$50
c. Administrative Committee-Per Diem	\$6	\$5	\$5	\$5
d. Administrative Committee-Travel and Others	\$25	\$12	\$12	\$12
e. Administrative Committee-Special Needs Accommodation	\$9	\$5	\$5	\$5
f. Audits	\$450	\$35	\$35	\$35
g. Banking Fee	\$30	\$10	\$10	\$10
h. Interagency Cost	\$74	\$323	\$323	\$323
i. CPUC Staff Costs	\$516	\$803	\$803	\$803
j. Programming and Document Storage	\$50	\$50	\$50	\$50
k. Outreach	\$800	\$850	\$850	\$850
l. Automation Implementation	\$0	\$0	\$0	\$0
m. Total Program Expenses (sum of a thru l)	\$33,202	\$47,143	\$85,848	\$85,848

APPENDIX B (REVISED PROPOSAL)
California Teleconnect Fund
Public Programs :: Expense Budget (\$000s)
FY 2009-2010 :: July 1, 2009 through June 30, 2010

	FY 08-09 Adopted by Resolution T-17104	FY 09-10 Submitted by CTF-AC	FY 09-10 Proposed by CD	FY 09-10 Adopted
PROGRAM EXPENSES				
a. Carrier Claims	\$31,142	\$45,000	\$58,197	\$58,197
b. Interest for Untimely Payment	\$100	\$50	50	50
c. Administrative Committee-Per Diem	\$6	\$5	5	5
d. Administrative Committee-Travel and Others	\$25	\$12	12	12
e. Administrative Committee-Special Needs Accommodation	\$9	\$5	5	5
f. Audits	\$450	\$35	35	35
g. Banking Fee	\$30	\$10	10	10
h. Interagency Cost	\$74	\$323	323	323
i. CPUC Staff Costs	\$516	\$803	803	803
j. Programming and Document Storage	\$50	\$50	50	50
k. Outreach	\$800	\$850	850	850
l. Automation Implementation	\$0	\$0	0	0
m. Total Program Expenses (sum of a thru l)	\$33,202	\$47,143	\$60,340	\$60,340

APPENDIX C (REVISED PROPOSAL)

California Teleconnect Fund

Public Programs :: Supplemental Budget (\$000s)

FY 2008-09 :: July 1, 2008 through June 30, 2009

	FY 08-09 Adopted by Resolution T-17104	Supplemental FY 08-09 Proposed by CD	Supplemental FY 08-09 Adopted
PROGRAM EXPENSES			
a. Carrier Claims	\$31,142	\$13,352	\$13,352
b. Interest for Untimely Payment	\$100	0	0
c. Administrative Committee-Per Diem	\$6	0	0
d. Administrative Committee-Travel and Others	\$25	0	0
e. Administrative Committee-Special Needs	\$9	0	0
f. Audits	\$450	0	0
g. Banking Fee	\$30	0	0
h. Interagency Cost	\$74	0	0
i. CPUC Staff Costs	\$516	0	0
j. Programming and Document Storage	\$50	0	0
k. Outreach	\$800	0	0
l. Automation Implementation	\$0	0	0
m. Total Program Expenses (sum of a thru l)	\$33,202	13,352	\$13,352