

California Teleconnect Fund Administrative Committee
Annual Report
To the California Public Utilities Commission

For Fiscal Year 2006-07

Submitted by the
California Teleconnect Fund Administrative Committee
March 2008

Executive Summary

This annual report describing California Teleconnect Fund Administrative Committee (CTF-AC) activities for fiscal year (FY) 2006-07 is submitted to the California Public Utilities Commission (CPUC) pursuant to Public Utilities Code Section 273(b). In FY 2006-07, the CTF-AC reached out to CTF eligible entities to increase participation, provided input to the California Public Utilities Commission (CPUC) related to its resolutions, and advocated for the CTF funding.

Background History

The CPUC established the California Teleconnect Fund (CTF) with CPUC Decision 96-10-066 on October 25, 1996. The CTF has provided discounts on eligible telecommunications services for qualifying schools, libraries, municipal and county government-owned and operated hospitals and health clinics, and community-based organizations (CBOs). On May 8, 2003, the CPUC expanded the list of eligible entities to include district-owned and operated hospitals and health clinics (CPUC Resolution T-16742).

In Decision 02-04-059 the CTF-AC was reestablished with nine primary members. The new nine-member CTF-AC includes representatives of diverse constituencies interested in improving the access of underserved California communities to advanced telecommunications services. The roster of AC members is provided in Appendix A. The members represent: the K-12 education sector; public libraries; public hospitals/clinics; rural clinics/telemedicine; consumer or community-based organizations involved in public access Internet; a local exchange carrier; Division of Ratepayer Advocates; and deaf/hearing impaired or disabled communities.

The Commission's approval of Resolution T-16742, implementing Senate Bill 1863 (Statute 202, Ch. 308), modified the CTF program rules in significant ways. The resolution expanded eligibility, specifically to community technology centers and hospital districts. It equalized the discount levels and services for all categories of eligible recipients, and specifically included Digital Subscriber Line (DSL) as an eligible service.

The resolution also streamlined the application process so that applicants apply for CTF directly through the CPUC Communications Division (formerly known as the Telecommunications Division) rather than through the carrier. Additionally, carriers must now file annual estimates of anticipated program expenditures.

In May 2004, the Commission approved Res. T-16763. This resolution updated and streamlined reimbursement (claims) procedures for service providers. In addition, it allowed carriers options regarding late or long-delayed feedback from CTF customers necessary for the proper application of their E-rate discounts to the carrier's CTF claim.

Summary of CTF-AC duties

According to Section 4.1 of the Charter of the CTF-AC, "the Committee shall act in an advisory capacity to the Commission, which shall have all policy and program decision-making authority." The CTF-AC's duties also include:

- a) Submission of a proposed CTF budget to the Communications Division (CD) before June 1 of each year. The proposed budget shall include estimated program expenditures and the Committee's projected expenses for the fiscal year (July 1 to June 30) of the following year.

In Resolution T-17046, issued July 20, 2006, the Commission adopted a budget of \$25.057 Million for FY 07-08 for the CTF AC Fund as shown in Appendix B.

- b) Submission of a CTF-AC report to the Commission describing the Committee's activities during the prior fiscal year, on or before October 1 of each year.
- c) Advising the Commission regarding the development, implementation and administration of the CTF program.

Goals for FY 2006-07:

Goal 1: Finalize and implement outreach strategy, including issuance of a Request for Proposal (RFP) for a marketing agency for Healthcare and CBO outreach.

Status:

- The committee provided the CD of the CPUC a marketing strategy report that outlined the needs of each of the participant groups. CD anticipates that a RFP will be released in fiscal year of 2007-08.

Goal 2: Develop an interagency agreement with the California Department of Education (CDE) to assist in the outreach/education strategy for Schools and Libraries.

Status:

- CPUC Legal Division staff, CD staff, and the CDE or Butte County Office of Education are currently working through contract items related to training and outreach of CTF for Schools and Libraries.
- In the meantime, the statewide trainings have started. It is anticipated that over 450 School and Library Applicants will participate in the trainings.

Goal 3: Provide committee written input on the open proceeding for CTF reform

Status:

- The current structure of the committee and the quantity of meetings the committee is allowed makes it difficult for us to provide input within the stated response period by the Commission.
- The number of meetings that the charter provides is an obstacle for committee work; we are currently limited to four (4) meetings per year.

Goal 4: Advise CD on emerging technologies as possible eligible services for the CTF

Status:

- We have provided input as technologies emerge at all meetings. Specifically, we have talked about MPLS (Multi-Protocol Labeled Switching). This technology is still in discussion, and we continue to advise the CD regarding this and other broadband technologies (i.e. broadband over power lines).
- Wireless technologies, 3G and 802.11 B.G. have been discussed at various meetings during the 2006-07 year.
- We have talked about bundled services, what they provided, and the potential compensation by the fund from an applicant's perspective.

Goal 5: Advise the CPUC on budget and legislative issues

Status:

- Provided an Annual Report in June that outlined the committee's recommendation of fund expenditures and the funding level for specific budget items.
- SB 1102, as codified in Public Utilities Code Section 884 and became effective on January 1, 2006, provides that an E-rate applicant must first apply prior to applying the CTF discount to schools and libraries. In the absence of an actual E-rate application, the statewide average E-rate discount calculated by the CPUC will apply. Discussions by the committee provided details that resulted in efforts by legislative representatives to agree with the statewide average E-rate discount calculation methodology that worked for both carriers and applicants. This methodology is the most effective and efficient approach of calculating the CTF discounts in the event that the school or library does not have an actual E-rate.

Goal 6: Analyze the impacts of any future legislation on the fund

Status:

- Discussion is brought into the group at every meeting, and meaningful input is provided to the CD at each meeting.

Goal 7: Continue efforts in the area of automating the CTF application process

Status:

- It was discussed and determined by the committee that the automation process was not cost effective given the lower level of applications and the short time of approval by the CD. Therefore, these funds were re-directed to marketing and outreach.
- Since the CTF program inception, CD has approved 3,024 CTF applications, 168 of which were approved during the 2007 calendar year. For specific entity category, please see Appendix C.

Goals for FY 07-08

1. Provide support to the CD efforts in the Marketing Outreach RFP and decision process after the contract has been awarded, monitor the progress once the entity

- is selected, prepare status reports, and provide input relative to the outreach process and materials, etc.
2. Monitor the progress of the Schools and Libraries outreach and marketing process and materials, etc.
 3. Provide analysis and comments on proposed changes and modifications to the CTF program.
 4. Advise the CPUC on budget and legislative issues including formal written communication on Senate Bill 909 and other related CTF program items.
 5. Analyze the impacts of any future legislation on the fund.
 6. Continue to provide input on problems, changes, and advances on technology issues for telecommunications.

Issues and Concerns

- The CTF-AC has been hampered by mandated limits of four meetings per year due to budgetary constraints. This, along with limits on internal Committee communications imposed by the Bagley-Keene Open Meeting Act, has limited Committee members in their efforts to improve outreach.
- Unresolved conflict of interest issues regarding the applicability and interpretation of Government Code 1090 also hampered the CTF-AC's ability to act.
- There is continued legislative interest in the CTF and that interest will likely result in additional program changes, e.g., the logistics of linking the Federal E-rate program to the CTF. The committee has concerns regarding the complexities future changes may cause.
- The committee has concerns with the concept of Public Policy Payphones receiving funds through the CTF and is not supportive of this change.
- There are concerns with the ongoing support of funding the CTF program because the CTF participants are highly dependent on CTF funds for continued operations.
- There are continued concerns with the difficulties some applicants have experienced in receiving CTF discounts for bundled services (i.e. DSL Internet Services). Specifically, many CBOs and Healthcare organizations have not received discounts

for DSL and other broadband technologies that include Internet Services that require inter-state connectivity through an Internet Service Provider (ISP).

Appendix A
California Teleconnect Fund Administrative Committee Members
Fiscal Year 06-07

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Appendix B

California Teleconnect Fund Budget Expenses for Fiscal Year 2007-2008

(From July 1, 2007 to June 30, 2008)

PROGRAM EXPENSES		FY 06-07.	Submitted by	Proposed by	Adopted
(\$ in Thousands)		Adopted 1	CTF-AC	TD	FY 07-08
a	Carrier Claims	\$20,000	\$23,000	\$23,000	\$23,000
b	Interest for Untimely Payment	\$100	\$100	\$100	\$100
c	Administrative Committee - Per Diem	\$4	\$6	\$6	\$6
d	Administrative Committee - Travel and Others	\$21	\$25	\$25	\$25
e	Administrative Committee- Special Needs Accomodation	\$7	\$9	\$9	\$9
f	Audits	\$460	\$500	\$450	\$450
g	Banking Fee	\$20	\$30	\$30	\$30
h	Interagency Cost	\$600	\$600	\$0	\$0
i	CPUC Staff Costs	\$290	\$400	\$587	\$587
j	Programming and Document Storage	\$50	\$50	\$50	\$50
k	Outreach	\$250	\$400	\$400	\$400
l	Automation Implementation	\$200	\$400	\$400	\$400
m	Total Program Expenses (sum of a thru l)	\$22,002	\$25,520	\$25,057	\$25,057
1 Additional funding of \$4.83 million has been requested for FY 06-07 due to a forecasted increase in claims.					

Appendix C

Approved CTF Participants by Calendar Year						
As of December 31, 2007						
Year	Community Based Organizations	Public Schools	Private Schools	Libraries	Government Owned Hospital/Clinic	Cumulative Total
1997	3	602	133	164	3	905
1998	14	160	82	63	8	327
1999	18	123	93	24	4	262
2000	2	53	24	4	4	87
2001	2	62	9	5	15	93
2002	1	81	15	20	12	129
2003	60	44	6	1	0	111
2004	176	76	69	3	0	324
2005	267	67	119	2	0	455
2006	118	15	30	0	0	163
2007	117	30	19	0	2	168
Total	778	1,313	599	286	48	3,024

- In the above table, CTF participants with multiple sites are counted as one active participant. Since the CTF program inception, CD has approved 3,024 CTF applications, 168 of which were approved during the 2007 calendar year.

