

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

**Communications Division  
Carrier Oversight & Programs Branch**

**RESOLUTION T-17615  
July 26, 2018**

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

**RESOLUTION T-17615- Approval of the California Telecommunications Public Purpose Programs estimated budgets for the 2018-2019 Fiscal Year.**

**SUMMARY**

This Resolution proposes Fiscal Year 2018-19 budgets for California's six telecommunications public purpose programs that the California Public Utilities Commission administers. The programs included here and their proposed budgets are as follows:

- |  |               |
|--|---------------|
| • California Advanced Services Fund            | \$81,023,000  |
| • California High Cost Fund-A                  | \$49,256,000  |
| • California High Cost Fund-B                  | \$22,333,000  |
| • California LifeLine Program                  | \$389,956,000 |
| • California Teleconnect Fund                  | \$128,041,000 |
| • Deaf and Disabled Telecommunications Program | \$64,403,000  |

**BACKGROUND**

The California Public Utilities Commission (Commission or CPUC) is responsible for the administration of six state-mandated Telecommunications Public Purpose Programs (PPP) and their respective end user surcharges, with each surcharge required to be assessed on intrastate telecommunications service revenue in California.

The Commission's Public Purpose Programs and their respective surcharges are set forth in Public Utilities Code Sections 270 to 281.<sup>1</sup>

This resolution is in compliance with Public Utilities Code Section 273(a), which requires that PPP budgets be approved by the Commission, and Decision (D.)02-04-059, which requires PPP budget proposals be subject to public notice and comment.

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<sup>1</sup> All section references hereafter are to the California Public Utilities Code unless otherwise stated.

### **California Advanced Services Fund**

Section 281 (amended by AB 1665, Stats. 2017, Ch. 851) provides up to \$645 million<sup>2</sup> for the CPUC to develop, implement, and administer the California Advanced Services Fund (CASF). The fund was created to advance broadband adoption, deploy access and infrastructure in unserved areas with a goal of providing broadband access to no less than 98% of California households in each consortia region.

The appropriation in the governor's enacted budget for Fiscal Year (FY) 2017-18 is \$77.100 million. The current CASF program surcharge rate is 0.56%, established in Resolution T-17593.

### **California High Cost Fund-A**

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.<sup>3</sup>

The appropriation in the governor's enacted budget for FY 2017-18 is \$49.247 million. The current CHCF-A program surcharge rate is 0.35%, established in Resolution T-17453. The CHCF-A program is slated to sunset on January 1, 2019. However, Assembly Bill (AB) 1959, sponsored by Assembly member Wood, proposes to extend the CHCF-A program for another four years, to expire on January 1, 2023.

### **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 provides subsidies to Carriers of Last Resort who provide basic residential telephone service to customers in high-cost areas.<sup>4</sup>

The appropriation in the governor's enacted budget for FY 2017-18 is \$22.330 million. The current CHCF-B program surcharge rate is 0.00%, established in Resolution T-17417 due to the fund balance currently being sufficient to make payments without the need for program collections. The CHCF-B program is also slated to sunset on

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<sup>2</sup> This includes the additional \$330 million authorized by AB 1665.

<sup>3</sup> See the CHCF-A webpage for program information at (<http://www.cpuc.ca.gov/General.aspx?id=991>).

<sup>4</sup> See the CHCF-B webpage for program information at (<http://www.cpuc.ca.gov/General.aspx?id=989>).

January 1, 2019. However, AB 1959 proposes to extend the CHCF-B program for another four years, to expire on January 1, 2023.

### **California LifeLine Program**

The Commission implemented the California LifeLine Program (Lifeline), also known as Universal Lifeline Telephone Service (ULTS) Trust Administrative Committee Fund in 1984, pursuant to Sections 277 and 871. The LifeLine program provides discounted basic residential wireless and wireline telephone service to qualified low-income households. As of March 31, 2018, approximately 1.8 million Californians participated in the program. Of the total number of LifeLine participants, approximately 1.3 million had wireless services.<sup>5</sup>

The appropriation in the governor's enacted budget for FY 2017-18 is \$630.173 million. The current LifeLine program surcharge rate is 4.75% established in Resolution T-17519.

### **California Teleconnect Fund**

The California Teleconnect Fund (CTF) was established by Decision (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).<sup>6</sup>

The appropriation in the governor's enacted budget for FY 2017-18 is \$153.001 million. The current CTF program surcharge rate is 1.08% established in Resolution T-17471.

### **Deaf and Disabled Telecommunications Program**

The legislative mandates governing the Deaf and Disabled Telecommunications Program (DDTP) are as follows: Section 2881(a), which authorized the provision of Teletypewriters to deaf or hard of hearing individuals; Section 2881(b), which authorized third-party intervention, also known as the California Relay Service, to connect by telephone, consumers who are deaf, hard of hearing, or speech-impaired with other parties; Section 2881(c), which authorized the provision of other specialized telecommunications equipment to consumers with hearing, vision, mobility, speech, and/or cognitive disabilities; and Section 2881(d) which authorized, the provision of

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<sup>5</sup> Go to <http://cpuc.ca.gov/General.aspx?id=1100> for more information about program participation.

<sup>6</sup> See the CTF webpage for program information at (<http://www.cpuc.ca.gov/ctf/>).

speech-generating devices to any subscriber who is certified as having a speech disability.<sup>7</sup>

The appropriation in the governor’s enacted budget for FY 2017-18 is \$64.428 million. The current DDTP program surcharge rate is 0.50%, established in Resolution T-17458.

**DISCUSSION**

Staff proposes to maintain the approved FY 2017-18 State Operations and Local Assistance state budgetary funding levels for FY 2018-19 for the various public purpose programs unless otherwise noted in the discussion below. State Operations expenses include Commission staff, Administrative Committees, contracts, and/or other expenses related to administration of the programs. Local Assistance includes the grants, claims and/or subsidies paid to utilities who are public purpose program participants.

The following discussion and tables provide an overview of the budget appropriation, actual/projected expenditures, and projected appropriation balances by program for FY 2015-16 through FY 2017-18 as well as the proposed FY 2018-19 budgets.

**California Advanced Services Fund**

California Advanced Service Fund (In Thousands)							
Expense Items	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19
	Appropriation, as adjusted, in Enacted Budget <sup>1</sup>	Actuals <sup>2</sup>	Appropriation, as adjusted, in Enacted Budget <sup>3</sup>	Actuals <sup>4</sup>	Appropriation, as adjusted, in Enacted Budget <sup>5</sup>	Forecasted (Actuals Annualized) <sup>6</sup>	Proposed <sup>7</sup>
State Operations	\$4,496	\$4,327	\$3,729	\$3,271	\$4,489	\$2,684	\$8,412
Local Assistance	\$94,011	\$41,024	\$94,011	\$93,094	\$72,611	\$47,783	\$72,611
<b>TOTALS</b>	<b>\$98,507</b>	<b>\$45,351</b>	<b>\$97,740</b>	<b>\$96,365</b>	<b>\$77,100</b>	<b>\$50,467</b>	<b>\$81,023</b>
Reference							
1. <a href="http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
2. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
3. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
4. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
5. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
6. Based on the Commission's Fiscal CalSTAR report.							
7. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - right column							

**State Operations**

Staff proposes a budget of \$8.412 million for State Operations for FY 2018-19, which is the same as the Governor’s Proposed Budget for FY 2018-19. The Commission submitted a Budget Change Proposal (BCP) to request additional staffing to address

<sup>7</sup> See the DDTP website for program information at (<http://www.cpuc.ca.gov/General.aspx?id=3422>).

staffing shortfalls in the CASF program to comply with audit recommendation from the State Controller’s Office, to implement new work required by AB 1665, and funding of \$2,500,000 per year for consultant services for the statutorily required California Environmental Quality Act (CEQA) review of projects in the program. This proposal reflects the budget increase requested in the BCP.

Local Assistance

Staff proposes a budget of \$72.611 million for Local Assistance for FY 2018-19 which is the same amount in the Governor’s Proposed Budget for FY 2018-19. This proposed budget will fund awards granted by the Commission for all of the CASF accounts, i.e. the Infrastructure Grant Account, the Rural and Regional Urban Consortia Grant Account, Line Extension, the Public Housing Account, and the Broadband Adoption Account. In the last two fiscal years, the Commission awarded over \$59,000,000 in new grants per year.<sup>8</sup> Given AB 1665’s extension and expansion of the CASF program, staff believes the budget of \$72,611,000 for FY 2018-19 is reasonable.

**California High Cost Fund-A**

California High Cost Fund-A							
(In Thousands)							
Expense Items	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19
	Appropriation, as adjusted, in Enacted Budget <sup>1</sup>	Actuals <sup>2</sup>	Appropriation, as adjusted, in Enacted Budget <sup>3</sup>	Actuals <sup>4</sup>	Appropriation, as adjusted, in Enacted Budget <sup>5</sup>	Forecasted (Actuals Annualized) <sup>6</sup>	Proposed <sup>7</sup>
State Operations	\$ 1,642	\$ 1,056	\$ 1,267	\$ 750	\$ 1,334	\$ 700	\$ 1,343
Local Assistance	\$ 41,813	\$ 33,543	\$ 41,813	\$ 36,130	\$ 47,913	\$ 40,000	\$ 47,913
<b>TOTALS</b>	<b>\$ 43,455</b>	<b>\$ 34,599</b>	<b>\$ 43,080</b>	<b>\$ 36,880</b>	<b>\$ 49,247</b>	<b>\$ 40,700</b>	<b>\$ 49,256</b>
Reference							
1. <a href="http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
2. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
3. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
4. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
5. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
6. Determined by annualizing the year-to-date March 2018 actual expenditures in the H10 fiscal report. State Operations includes contracts.							
7. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - right column							

State Operations

Staff proposes a budget of \$1.343 million for State Operations for FY 2018-19, which is the same as the Governor’s Proposed Budget for FY 2018-19. State Operations consist of the administrative expenses necessary to support the CHCF-A program. These expenses include employee salary and travel, consultant, and administrative committee costs. The actual State Operations expenditure for FY 2015-16 was \$1,056,000;

<sup>8</sup> Ibid.

for FY 2016-17 it was \$750,000; and for FY 2017-18 it is forecasted to be \$700,000. Although these prior expenditure levels are showing some decline, they are not substantially different from the FY 2017-18 budgeted level. Hence, Staff proposes to maintain State Operations expense for FY 2018-19 at \$1.343 million.

Local Assistance

Staff proposes a budget of \$47.913 million for Local Assistance for FY 2018-19, which is the same amount in the Governor’s Proposed Budget for FY 2018-19. CHCF-A FY funding is determined annually, pursuant to D. 91-05-016 and D.91-09-042. The governor’s enacted budget for Local Assistance was \$41.813 million for FY 2016-17 and \$47.913 million for FY 2017-18. Given the FY 2017-18 actuals forecast at \$40 million, and potential cost increases from future general rate cases and federal subsidy changes, Staff has determined that the FY 2017-18 budget level is still a reasonable estimate. Hence, Staff proposes a Local Assistance budget for FY 2018-19 of \$47.913 million.

**California High Cost Fund-B**

California High Cost Fund-B (In Thousands)							
Expense Items	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19
	Appropriation, as adjusted, in Enacted Budget <sup>1</sup>	Actuals <sup>2</sup>	Appropriation, as adjusted, in Enacted Budget <sup>3</sup>	Actuals <sup>4</sup>	Appropriation, as adjusted, in Enacted Budget <sup>5</sup>	Forecasted (Actuals Annualized) <sup>6</sup>	Proposed <sup>7</sup>
State Operations	\$1,759	\$659	\$1,525	\$429	\$1,553	\$340	\$1,556
Local Assistance	\$20,777	\$13,982	\$20,777	\$16,612	\$20,777	\$14,910	\$20,777
<b>TOTALS</b>	<b>\$22,536</b>	<b>\$14,641</b>	<b>\$22,302</b>	<b>\$17,041</b>	<b>\$22,330</b>	<b>\$15,250</b>	<b>\$22,333</b>
Reference							
1.	<a href="http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column						
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4.	<a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - left column						
5.	<a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column						
6.	Determined by annualizing the year-to-date March 2018 actual expenditures in the H10 fiscal report.						
7.	<a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - right column						

State Operations

Staff proposes a budget of \$1.556 million for State Operations for FY 2018-19, which is the same as the Governor’s Proposed Budget for FY 2018-19. State Operations consist of the administrative expenses necessary to support the CHCF-B program. These expenses include employee salary and administrative committee costs. The actual State Operations expenditure for FY 2015-16 was \$659,000; for FY 2016-17 the expenditure was \$429,000, and for FY 2017-18 it is forecasted to be \$340,000. Although there has been some noted decline in the expenditure levels, Staff proposes to maintain the

FY 2018-19 State Operations budget at the FY 2017-18 level, and recommends adoption of a budget of \$1.556 million for FY 2018-19. This amount is reflected in the Governor’s Proposed Budget. Next year, staff should issue a budget change proposal for this fund if the decline continues.

Local Assistance

Staff proposes a budget of \$20.777 million for Local Assistance for FY 2018-19, which is the same as the Governor’s Proposed Budget for FY 2018-19. The California High Cost Fund-B table shows that for FY 2015-16 and 2016-17, the Local Assistance actual claim amounts paid to carriers summed to \$13.982 million and \$16.612 million, respectively. Carrier claims for FY 2017-18, through March and/or April 2018 sum to \$10.531 million and annualized, result in a forecasted expense of \$14.910 million.

Staff notes that Local Assistance claims have gradually declined between FY 2016-17 and FY 2017-18, due to the decline in landline subscriptions. Given that the decline may not be continuous, Staff believes that the proposed Local Assistance budget for FY 2018-19 of \$20.777 million is still reasonable and should be adopted. As with State Operations, Staff will monitor, and if the decline continues, may propose a reduction for FY 2019-20.

**California LifeLine Program**

California LifeLine Program (In Thousands)							
Expense Items	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19
	Appropriation, as adjusted, in Enacted Budget <sup>1</sup>	Actuals <sup>2</sup>	Appropriation, as adjusted, in Enacted Budget <sup>3</sup>	Actuals <sup>4</sup>	Appropriation, as adjusted, in Enacted Budget <sup>5</sup>	Forecasted <sup>6</sup>	Proposed <sup>7</sup>
State Operations	\$ 21,482	\$ 21,444	\$ 25,874	\$ 22,680	\$30,707	\$23,386	\$30,771
Local Assistance	\$ 462,047	\$ 324,219	\$ 457,345	\$ 407,004	\$599,466	\$358,099	\$359,185
<b>TOTALS</b>	<b>\$ 483,529</b>	<b>\$ 345,663</b>	<b>\$ 483,219</b>	<b>\$ 429,684</b>	<b>\$ 630,173</b>	<b>\$ 381,485</b>	<b>\$ 389,956</b>
Reference							
1. <a href="http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
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3. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
4. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
5. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
6. <a href="http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG8660_BCP2442.pdf">http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG8660_BCP2442.pdf</a>							
7. <a href="http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG8660_BCP2442.pdf">http://web1a.esd.dof.ca.gov/Documents/bcp/1819/FY1819_ORG8660_BCP2442.pdf</a>							

State Operations

Staff proposes a budget of \$30.771 million for State Operations for FY 2018-19, which is the same as the Governor’s Proposed Budget for FY 2018-19. State Operations consist of the following categories: staff salaries and benefits, California LifeLine Third Party Administrator (Third Party Administrator), Office of State Publishing, California

LifeLine Auditing, California LifeLine IT Consultant, and other costs such as Administrative Committee-related costs, travel, goods, training, and office equipment.

To estimate the monthly Third Party Administrator's invoice costs, Staff used actual Third Party Administrator invoices from 2017 and recalculated the annual estimated costs for FY 2018-19 using the new qualifications rate of \$1.49.<sup>9</sup>

To estimate the cost for the Office of State Publishing printing and mailing services in FY 2018-19, Staff used actual volumes from FY 2016-17 combined with the projected number of qualifications for FY 2018-19 to estimate the FY 2018-19 printing volumes and cost.

As shown in the table, State Operations expenditures for FY 2018-19 are projected to be \$30.771 million.

### Local Assistance

Staff proposes a budget of \$359.185 million for Local Assistance for FY 2018-19, which is the same amount in the Governor's Proposed Budget for FY 2018-19. Local Assistance consists of reimbursement to carriers (claims) for providing California LifeLine Services to program participants. California LifeLine service providers provide subsidies directly to consumers by deducting the subsidy amounts from the monthly bills. The carriers then receive reimbursements for the subsidies. The subsidies consist of surcharges and taxes, connection or conversion charges, untimed calls and a Specific Support Amount for the monthly recurring charge. Participating service providers recover administrative costs and implementation costs on a limited basis.

Local Assistance expenditures are largely driven by program participation. Staff forecasts approximately 1,604,331 participants (335,589 for wireline and 1,268,742 for wireless) by the end of FY 2018-19 for the purpose of projecting Local Assistance expenditures.

For FY 2018-19, total Local Assistance is the sum of the Specific Support Amount, administrative charges, wireless new connection charges, wireless surcharges and taxes, wireline new connection/conversion charges, wireline untimed calls, wireline surcharges and taxes, and cost to make-up lost federal subsidy<sup>10</sup>. Local Assistance expenditures for FY 2018-19 are projected to be \$359.185 million, which is \$240.281

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<sup>9</sup> 2016-17 invoices originally applied a rate of \$2.16 per qualification.

<sup>10</sup> D.18-02-006 authorized the California Program fund to temporarily make up for loss of federal funds for participants who only qualify under California-only eligibility criteria but who do not meet federal Lifeline eligibility criteria.



million less than the FY 2017-18 appropriation. The reduction is primarily due to lower participation in 2017-18 than originally projected. Local Assistance expenditures for 2018-19 are projected to be similar to the current expenditure forecasts for 2017-18.

*Local Assistance Assumptions*

The assumptions for the computations for FY 2018-19 Local Assistance are as follows:

- Caseload: Staff estimates 1,604,331 participants by the end of FY 2018-19.
- Specific Support Amount: Staff projects that the Specific Support Amount will increase from \$14.30 to \$14.85 in January 2019 based on the historical rate increases of Carrier of Last Resort basic residential telephone service.<sup>11</sup>
- Administrative Support Subsidy: The administrative charge per wireless program participant is \$0.34 and \$0.17 per wireline program participant based on the average of actual reimbursements to service providers during calendar year 2017.
- Wireless New Connection Subsidy: The cost of reimbursements for wireless new connection subsidies is assumed to be \$4.468 million monthly based on the average of actual claims for new connection subsidies during calendar year 2017.
- Wireline Connection/Conversion charge: Wireline connection/conversion charges are assumed to be 12% of the monthly wireline enrollment based on the average of 2017 payments.
- Surcharges and Taxes: Wireless surcharges/taxes are estimated by applying the total surcharge/tax rate to monthly wireless enrollment. The surcharge and tax rate is 16%.<sup>12</sup>

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<sup>11</sup> See Resolution T-17499 at pp. 5 and 6 for a description of how the Specific Support Amount is determined.

<sup>12</sup> Sum of city taxes and surcharges of 8% and total program surcharges of 7.25% and rounding to the closest whole number.

## California Teleconnect Fund

California Teleconnect Fund (In Thousands)							
Expense Items	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19
	Appropriation, as adjusted, in Enacted Budget <sup>1</sup>	Actuals <sup>2</sup>	Appropriation, as adjusted, in Enacted Budget <sup>3</sup>	Actuals <sup>4</sup>	Appropriation, as adjusted, in Enacted Budget <sup>5</sup>	Forecasted (Actuals Annualized) <sup>6</sup>	Proposed <sup>7</sup>
State Operations	\$3,701	\$2,574	\$2,536	\$1,512	\$7,936	\$2,191	\$3,041
Local Assistance	\$145,065	\$94,999	\$145,065	\$92,757	\$145,065	\$105,292	\$125,000
<b>TOTALS</b>	<b>\$148,766</b>	<b>\$97,573</b>	<b>\$147,601</b>	<b>\$94,269</b>	<b>\$153,001</b>	<b>\$107,483</b>	<b>\$128,041</b>
Reference							
1. <a href="http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
2. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
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6. Determined by annualizing the year-to-date April 2018 actual expenditures in the H10 fiscal report.							
7. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - right column							

### State Operations

Staff proposes a budget of \$3.041 million for State Operations for FY 2018-19, which is the same as the Governor's Proposed Budget for FY 2018-19. State Operations expenses include categories such as CPUC direct staff costs, staff travel, administrative committee per diem and travel, marketing and outreach, audits, data processing automation, and cost allocation expenses.

The actual State Operations expenditure was \$2.574 million for FY 2015-16 and \$1.512 million for FY 2016-17. The State Operations expenditure is forecasted to be \$2.191 million for FY 2017-18 based on an annualization of the March 2018 State Operations year-to-date amount of \$1,095,569. The historical State Operations expenditures indicate that the proposed FY 2018-19 State Operations budget of \$3.041 million will adequately fund the program's administrative needs.

### Local Assistance

Staff proposes a FY 2018-19 Local Assistance budget of \$125 million, which is the same as the Governor's Proposed Budget for FY 2018-19. This represents a \$20.065 million reduction from the FY 2017-18 level of \$145.065 million. The reduction is due to a declining trend of CTF applications that is projected to continue into FY 2018-19 as a result of program changes that were implemented in FY 2016-17.

The CTF Local Assistance budget is comprised of carrier claim payments. Carriers are reimbursed for discounts given to CTF participants. The carrier claims payment

projections are based on a number of factors, including carriers' claim forecasts, historical claim data and program changes adopted by the Commission.

CTF application rates have fallen in FY 2016-17 since significant program changes were implemented by the Commission in D.15-07-007. Program changes include voice incentive reduction, temporary phase-out of data plan program eligibility and more stringent eligibility process for CBOs. The program changes and the lower than anticipated growth in application/participation have caused a general flattening of total claim payment amounts from FY 2015-16 through FY 2017-18.

Staff anticipates a continued decrease in application submittals and claim amounts due to stricter CBO eligibility requirements, which will be implemented in approximately one or two years. Therefore, Staff believes a reduction in the amount of \$20.065 million from FY 2017-18 Local Assistance budget level to \$125 million for FY 2018-19 is reasonable.

### Deaf and Disabled Telecommunications Program

Deaf and Disabled Telecommunications Program							
(In Thousands)							
Expense Items	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19
	Appropriation, as adjusted, in Enacted Budget <sup>1</sup>	Actuals <sup>2</sup>	Appropriation, as adjusted, in Enacted Budget <sup>3</sup>	Actuals <sup>4</sup>	Appropriation, as adjusted, in Enacted Budget <sup>5</sup>	Forecasted (Actuals Annualized) <sup>6</sup>	Proposed <sup>7</sup>
State Operations	\$64,442	\$56,500	\$64,096	\$50,997	\$64,218	\$52,212	\$64,193
Local Assistance	\$210	\$102	\$210	\$185	\$210	\$201	\$210
<b>TOTALS</b>	<b>\$64,652</b>	<b>\$56,602</b>	<b>\$64,306</b>	<b>\$51,182</b>	<b>\$64,428</b>	<b>\$52,413</b>	<b>\$64,403</b>
<u>Reference</u>							
1. <a href="http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2016-17/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
2. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
3. <a href="http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2017-18/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
4. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - left column							
5. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - middle column							
6. Used B06 report. Take number in "Appropriation, as adjusted in Enacted Budget" and subtract out "Balance" number in B06. Then add in expenses that do not have encumbrances such as rents and telephone carrier claims.							
7. <a href="http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf">http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf</a> - right column							

### State Operations

Staff proposes a budget of \$64.193 million for State Operations for FY 2018-19, which is the same as State Operations in the Governor's Proposed Budget for FY 2018-19. State Operations consists of payments to contractors such as the DDTP administrator, relay provider and marketing vendor; rents and leases for DDTP service centers and headquarters; equipment provided to DDTP constituents; and CPUC staff and administrative costs. The proposed budget includes increased expenditures for the

speech generating devices to adjust for the increased number of applications each year. Staff is conducting outreach with community based organizations to highlight the devices. Through its vendor, the DDTP distributed 200 iPads to those with speech disabilities. An evaluation is being developed which will analyze the iPad distribution process. Lastly, the DDTP's rental costs for its service centers and headquarter space will increase.

### Local Assistance

Staff proposes a budget of \$210,000 for Local Assistance for FY 2018-19 which is the same amount in the Governor's Proposed Budget for FY 2018-19. Local Assistance consists of claims by landline carriers to provide specific services for the deaf and disabled. Examples include three-way calling and speed dialing. While subscribership has gone down, the rates and charges for service have increased.

### SAFETY CONSIDERATIONS

The six Telecommunications Public Purpose Programs facilitate universal service and access for all Californians to the communications network and emergency services.

### CONCLUSION

The Commission has reviewed the FY 2018-19 budgets for California's six telecommunications public purpose programs. Final approval of these budgets will be determined when the Budget Act of 2018 is approved by the Legislature and the Governor. These budgets will be subject to final appropriations adopted in the Budget Act of 2018. To the extent that appropriations adopted in the Budget Act differ from the FY 2018-19 budget adopted in this Resolution, the appropriations adopted in the Budget Act will supersede the budget adopted in this resolution.

### COMMENTS

Public Utilities Code section 311(g)(1) requires that a draft resolution be served on all parties, and be subject to a public review and comment period of 30 days or more, prior to a vote of the Commission on the resolution. A draft of today's resolutions was distributed for comment to the utilities and other interested parties. The Commission received no comments in response to this resolution.

**FINDINGS**

1. The California Public Utilities Commission (Commission or CPUC) is responsible for the administration of the State's six Telecommunications Public Purpose Programs.
2. The Commission is required to prepare a resolution or other public document to provide public notice and adopt the proposed budgets of the Telecommunications Public Purpose Programs.
3. Section 281 requires the Commission to develop, implement, and administer the California Advanced Services Fund (CASF) 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.
4. Staff proposed CASF FY 2018-19 expense budget of \$81.023 million, composed of \$8.412 million for State Operations and \$72.611 million for Local Assistance, is reasonable and should be adopted.
5. Section 275.6 requires the Commission to implement the California High Cost Fund (CHCF) -A program for universal service support to reduce rate disparity in rural areas.
6. Staff's proposed CHCF-A FY 2018-19 expense budget of \$49.256 million, composed of \$1.343 million for State Operations and \$47.913 million for Local Assistance, is reasonable and should be adopted.
7. Section 276.5 requires that the Commission implement and maintain the California High Cost Fund (CHCF) -B program for universal telephone service support to reduce rate disparity in high cost areas.
8. Staff's proposed CHCF -B FY 2018-19 expense budget of \$22.333 million, composed of \$1.556 million for State Operations and \$20.777 million for Local Assistance, is reasonable and should be adopted.
9. 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.
10. Staff's proposed California LifeLine Budget of \$389.956 million for FY 2018-19, composed of State Operations of \$30.771 million and Local Assistance of \$359.185 million, is reasonable and should be adopted.
11. The California Teleconnect Fund (CTF) 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.

12. Staff's proposed CTF budget of \$128.041 million for FY 2018-19, composed of State Operations of \$3.041 million and Local Assistance of \$125 million, is reasonable and should be adopted.
13. The Commission established 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.
14. The Legislature codified the DDTP program through passage of several statutory provisions contained in Section 2881.
15. Staff's proposed DDTP budget of \$64.403 million for FY 2018-19, composed of State Operations of \$64.193 million and Local Assistance of \$210 thousand, is reasonable and should be adopted.
16. The FY 2018-19 budgets adopted today are subject to change pending the final appropriations adopted in the Budget Act.
17. The Commission received no comments in response to this resolution.

**THEREFORE, IT IS ORDERED** that:

1. The expense budget for the California Advanced Services Fund for Fiscal Year 2018-19 of \$81,023,000, composed of \$8,412,000 for State Operations and \$72,611,000 for Local Assistance, is adopted.
2. The expense budget for the California High Cost Fund-A for Fiscal Year 2018-19 of \$49,256,000, composed of \$1,343,000 for State Operations and \$47,913,000 for Local Assistance, is adopted.
3. The expense budget for the California High Cost Fund-B for Fiscal Year 2018-19 of \$22,333,000, composed of \$1,556,000 for State Operations and \$20,777,000 for Local Assistance, is adopted.
4. The expense budget for the California LifeLine Program of \$389,956,000 for Fiscal Year 2018-19, composed of State Operations of \$30,771,000 and Local Assistance of \$359,185,000, is adopted.

5. The expense budget for the California Teleconnect Fund for Fiscal Year 2018-19 of \$128,041,000, composed of \$3,041,000 for State Operations and \$125,000,000 for Local Assistance, is adopted.
6. The expense budget for the Deaf and Disabled Telecommunications Program for Fiscal Year 2018-19 of \$64,403,000, composed of \$64,193,000 for State Operations and \$210,000 for Local Assistance, is adopted.
7. Communications Division Staff is authorized to modify the FY 2018-19 Public Purpose Program budgets to conform to the final appropriations adopted in the Budget Act of 2018 for State Operations and Local Assistance.

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 July 26, 2018. The following Commissioners voting favorable thereon:

/s/ ALICE STEBBINS

ALICE STEBBINS

Executive Director

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners