



California LifeLine Program FY 2017/18 Budget Review (Revised Version)



ULTS Administrative Committee Meeting

California Public Utilities Commission

February 9 , 2017





Presentation Overview

- State Budget Process Overview
- FY17/18 California LifeLine Budget





State Budget Process

- July - CD staff develops budget forecast
- January - Governor's Budget gets submitted to Legislature
- After January - Commission approves program budgets
- June - Legislature enacts the Budget

LOCAL ASSISTANCE

- Consists of Carrier Claims

STATE OPERATIONS

- Consists of Program Costs, Staff Costs, Contracts Costs, other Program Costs.
- The key driver of costs is the Third Party Administrator (TPA) Expenses.





California LifeLine Budget – FY 2017/2018: \$634,771,000

- Staff estimate represents an increase of \$76 million from FY 2016/17 budget of \$483 million.
- **REVISED:** Staff estimate represents an increase of \$129 million from FY 2016/17 budget of \$505 million.
 - FY 16/17 - \$505 is to reflect a projection for connection/activation charge which were set to expire on December 23, 2016 but is extended in a November 2016 Commission Ruling.
 - FY 17/18 – increase explained in subsequent slides.
- The proposed change is primarily due to increased wireless carrier claims.





California LifeLine Budget – FY 2017/2018: **\$634,770,523**

Local Assistance

- Carriers Claims

Original	Revised
\$525.4 million	\$604.7 million*

State Operations

- LifeLine Administrator
- State Printing Services
- Outreach Contract
- Other Costs

\$ 24.0 million	\$ 30.0 million**
\$ 4.6 million	
\$ 2.1 million	
\$ 3.1 million	

Total

\$559.2 million \$634.7 million

*Include Connection/Activation charge for Wireless.

**A placeholder of \$30 million due to insufficient data to support the drivers of state ops: Administrator and State Printing Services.

- TPA contract expires May 2017
- TPA/OSP still renegotiating
- TPA costs will increase due to implementing FCC-mandated changes.





Historical Budget Information

		FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2017-2018
		Adopted Budget	Adopted Budget	Adopted Budget	CD Staff Proposed Budget	CD Staff Proposed Budget
A	LOCAL ASSISTANCE					
1	Carrier Claims	\$ 181,400	\$ 324,220	\$ 457,345	\$ 525,475	\$ 604,771
	Sub Total	\$ 181,400	\$ 324,220	\$ 457,345	\$ 525,475	\$ 604,771
B	STATE OPERATIONS					\$ 30,000
1	AC-Per Diem	\$ 1	\$ 1	\$ 1		
2	AC-Other Costs	\$ 1	\$ 1	\$ 1		
	Travel					
3	AC-Travel	\$ 1	\$ 1	\$ 1		
4	Travel Costs	\$ 3	\$ 8	\$ 20	\$ 20	
5	Direct Staff Costs	\$ 1,431	\$ 2,234	\$ 2,234	\$ 760	
	Contracts					
8	Marketing/Outreach	\$ 2,100	\$ 2,100	\$ 2,100	\$ 2,100	
9	3rd Party Administrator and Printing	\$ 12,300	\$ 12,300	\$ 19,847	\$ 28,648	
10	Lifeline Consultant - Contract	\$ 200	\$ 200	\$ 350	\$ 350	
11	Audits	\$ 2,356	\$ 2,863	\$ 525	\$ 959	
12	Data Processing Automation	\$ 133	\$ 133	\$ 92	\$	
	Other Program Costs					
13	Goods		\$ 2	\$ 2	\$ 2	
14	Training - Tuition and Registration		\$ 3	\$ 3	\$ 3	
15	Office Equipment		\$ 8	\$ 8	\$ 8	
16	Pro-Rata Interagency Costs	\$ 2,668	\$ 1,324	\$ -		
17	Cost Allocation	\$ -	\$ 267	\$ 624	\$ 854	\$ -
	Sub Total	\$ 21,194	\$ 21,445	\$ 25,808	\$ 33,705	\$ 30,000
C						
1	8660 Public Utilities Commission (Local Assistance and State Operations)	\$ 202,594	\$ 345,665	\$ 483,153	\$ 559,180	\$ 634,771
2	0840 State Controller	\$ 52	\$ 1	\$ 1	\$ 1	\$ 1
3	8880 Financial Information System for California	\$ 1,792	\$ 233	\$ 233	\$ 233	\$ 233
	TOTAL PROGRAM BUDGET	\$ 204,438	\$ 345,899	\$ 483,387	\$ 559,414	\$ 635,005





Budget Analysis – **Claims Revised \$604,770,523** **Claims Original \$525,474,523**

WIRELINE CLAIMS

\$88,720,505	Basic Subsidy Amount
	Estimate 563,903 wireline subscribers end of FY 2017-2018
	Assumes \$13.75 SSA (55% of AT&T's \$25 rate) for FY 2017-2018 for months July 2017-December 2017.
	Assumes \$14.30 SSA (55% of AT&T's \$26 rate) for FY 2017-2018 for months January 2018-June 2018.
\$1,201,398	Admin Costs (monthly subscribers x \$0.19) \$0.19 = average of admin charge paid in July 2015 through May 2016 for Wireline.
\$1,138,167	Connection/Conversion (6 month average % of new connection/conversion claimed to enrollment).
\$6,006,991	Taxes/Surcharges (6 month average % of surcharges claimed to enrollment).
\$97,067,061	Total estimated FY 17-18 wireline carrier claims





Budget Analysis – Claims **\$604,770,523** cont.

WIRELESS CLAIMS

\$413,679,676	Basic Subsidy Amount
	Estimate 2,681,267 wireless subscribers end of FY 2017-2018
	Assumes \$13.75 SSA (55% of AT&T's \$25 rate) for FY 2017-2018 for months July 2017-December 2017.
	Assumes \$14.30 SSA (55% of AT&T's \$26 rate) for FY 2017-2018 for months January 2018-June 2018.
\$10,014,894	Admin Costs (monthly subscribers x \$0.34) \$0.34 = average of admin charge paid in July 2015 through May 2016 for Wireline.
\$79,296,000	Connection/Activation Charge - FY2015-16 actuals shows an average monthly wireless connection subsidy of \$6,608,000/month.
\$4,712,891	Taxes/Surcharges (Monthly subscribers x 16%)
	Based on a average of city taxes & surcharges of 8% + program surcharges of 7.89%
\$507,703,461	Total estimated FY 17-18 wireless carrier claims





Thank you!
For Additional Information:

www.cpuc.ca.gov

www.califeline.com/en

