

COM/LR1/mph

Date of Issuance 5/3/2019

Decision 19-04-013 April 25, 2019

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

Order Instituting Rulemaking to  
Conduct a Comprehensive  
Examination of the California  
Teleconnect Fund.

Rulemaking 13-01-010

**DECISION RESOLVING PHASE 3 ISSUES  
REGARDING THE CALIFORNIA TELECONNECT FUND**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
DECISION RESOLVING PHASE 3 ISSUES.....	2
REGARDING THE CALIFORNIA TELECONNECT FUND .....	2
Summary.....	2
1. CTF Program Background.....	3
2. Procedural Background .....	5
3. Discussion .....	10
3.1. CTF Voice Discount.....	10
3.2. Support for Mobile Broadband Services .....	15
3.3. Definition of CTF-Eligible Community-Based Organization .....	21
3.4. Implementation of 50 percent mission requirement for CBOs ...	25
3.5. Non-E-rate Cost Allocation Process .....	28
3.6. CTF Data Request.....	31
3.7. CTF Application and Claims Website Portal .....	33
3.8. CTF Support for Taxes, Fees and Surcharges.....	35
3.9. CTF Advisory Committee .....	37
4. Comments on Proposed Decision .....	40
5. Assignment of Proceeding.....	46
Findings of Fact .....	46
Conclusions of Law .....	48
ORDER .....	51

**DECISION RESOLVING PHASE 3 ISSUES  
REGARDING THE CALIFORNIA TELECONNECT FUND**

**Summary**

This decision addresses the remaining issues in Phase 3 of this proceeding regarding program design, implementation, and administration of the California Teleconnect Fund (CTF). This decision makes changes and other refinements to clarify program aspects for both carriers and CTF program participants, including:

1. Eliminating CTF support for voice services.
2. Expanding CTF-eligible services to include all mobile broadband services.
3. Updating the definition of a CTF-eligible Community-Based Organization.
4. Implementing the 50 percent mission requirement adopted in Decision 15-07-007 for Community-Based Organizations.
5. Adopting a cost allocation process for non-E-rate CTF participants.
6. Requiring the development of a data request regarding CTF-eligible services.
7. Requiring the development of a CTF web-portal for applications and claims.
8. Clarifying that taxes, fees, and surcharges are not eligible for CTF support.
9. Addressing issues regarding the California Teleconnect Fund Administrative Committee (CTF Administrative Committee) membership.

This decision completes Phase 3 and closes the proceeding.

## **1. CTF Program Background**

The California Public Utilities Commission (Commission) created the California Teleconnect Fund (CTF) pursuant to Pub. Util. Code § 280(a). CTF provides discounted rates for advanced telecommunications services for qualifying schools, libraries, government-owned hospitals and health clinics, California Community Colleges, 2-1-1 referral providers, and Community-Based Organizations (CBOs). Decision (D.) 96-10-066<sup>1</sup> authorized CTF to: 1) promote innovation in the delivery and use of advanced communication services, 2) encourage the diversity of choices among services and providers, and 3) allow for affordable and widespread access to California's broadband networks and technology. In D.15-07-007, the Commission adopted the following restated goals for the CTF program: 1) advance universal service by providing discounted rates to qualifying entities, 2) bring every Californian direct access to advanced communications services in their local communities, 3) ensure high-speed internet connectivity for community CTF-eligible institutions at reasonable rates, and 4) increase direct access to high-speed internet in communities with lower rates of internet adoption and greater financial need.<sup>2</sup>

The CTF is a Public Purpose Program funded by California telecommunications ratepayers through a surcharge assessed on revenues collected by telecommunications companies for intrastate telecommunications

---

<sup>1</sup> Issued in Rulemaking on the Commission's Own Motion into Universal Service and to Comply with the Mandates of Assembly Bill 3643; Investigation on the Commission's Own Motion into Universal Service and to Comply with the Mandates of Assembly Bill 3643 (Rulemaking 95-01-020; Investigation 95-01-021).

<sup>2</sup> D.15-07-007, Decision Resolving Phases 1 and 2 Issues Regarding the California Teleconnect Fund, July 23, 2015, Appendix A at 1.

products and services.<sup>3</sup> The budget for the CTF program is \$128,041,000 for fiscal year (FY) 2018/2019.<sup>4</sup> The Commission's Communications Division staff (CD and/or Staff) updates the surcharge based on the fund balance, carrier claim projections, CD analysis of future fund growth, and program administration costs. The current surcharge is 0.78 percent.<sup>5</sup> Historical CTF surcharge rates are available online at: <http://www.cpuc.ca.gov/general.aspx?id=1124>.

The CTF program is managed by CD Staff in coordination with the CTF Administrative Committee.<sup>6</sup> The CTF Administrative Committee advises the Commission regarding the development, implementation and administration of the program. Staff reviews applications, processes reimbursements to carriers, prepares an annual budget, proposes changes to the surcharge as needed, and performs the day-to-day operations to administer the fund. Currently there are over 15,000 approved CTF participants.

CTF program participants receive discounts on monthly recurring charges of eligible services, excluding usage fees. The discounts are currently a 25 percent reduction for voice services and a 50 percent for non-voice services. The following is a description of how the discount process works:<sup>7</sup>

---

<sup>3</sup> Certain telecommunications services are exempt from the CTF surcharge, including: Universal Lifeline Telephone Service, charges to other certificated carriers for services that are to be resold, coin sent paid telephone calls (coin in box) and debit card calls, customer-specific contracts effective before 9/15/94, usage charges for coin-operated pay telephones, directory advertising, and one-way radio paging.

<sup>4</sup> Resolution T-17615, issued July 26, 2018.

<sup>5</sup> Resolution T-17606, issued July 30, 2018.

<sup>6</sup> D.02-04-059, Attachment A.

<sup>7</sup> <http://www.cpuc.ca.gov/General.aspx?id=4152>

1. An organization submits a CTF application to the Commission.
2. The Commission reviews the application and sends the organization an Approval, Rejection, or Deficiency Notification.
3. If approved, the organization informs its CTF participating service provider of discount eligibility by providing a copy of the Approval Notification.
4. The service provider gives the approved organization a CTF discount on the monthly recurring charges, excluding usage fees, of eligible services.
5. After providing the discount, the service provider files claims for reimbursement with the Commission to recoup the discounted amounts.
6. The Commission reviews the claims for reimbursement and issues the appropriate payments to the service provider.

## **2. Procedural Background**

On January 24, 2013, the Commission opened this rulemaking to undertake a comprehensive examination of the California Teleconnect Fund (CTF) program. On November 5, 2013, the assigned Commissioner issued a Scoping Memo and Ruling dividing the proceeding into three phases: Phase 1 (Restatement of Goals), Phase 2 (Program Design), and Phase 3 (Program Implementation and Administration). On July 23, 2015, the Commission adopted D.15-07-007, which resolved the Phase 1 and Phase 2 issues by adopting restated program goals and a number of program design reform measures.

On November 17, 2015, the Commission held a prehearing conference to address Phase 3 issues. After reviewing public comments, the assigned Commissioner issued an Amended Scoping Memo and Ruling for Phase 3 of the Proceeding (First Amended Scoping Memo) on December 18, 2015. The First

Amended Scoping Memo set forth 11 issues to be considered during Phase 3. The First Amended Scoping Memo stated that the Commission would address Issues 1 and 2 in an earlier decision in spring of 2016 while Issues 3 through 11 would be addressed in a later decision.

Issue #1 concerns the process for eligible entities in unserved or underserved areas to seek exemption from reduced voice services support. Issue #2 concerns methods to determine whether mobile data services for non-E-rate participants are the most cost-effective form of broadband service. Pursuant to the schedule adopted by the First Amended Scoping Memo, parties filed initial comments on Issues 1 and 2 on January 15, 2016.<sup>8</sup> Parties filed reply comments on these issues on January 29, 2016.<sup>9</sup>

On April 21, 2016, the Commission adopted D.16-04-021, which resolved Issue 1. The decision also addressed implementation of the new cap for E-rate schools adopted in D.15-07-007. However, D.16-04-021, determined that further information needed to be gathered in order to resolve Issue 2.

---

<sup>8</sup> Initial Comments were filed by: The Utility Reform Network (TURN); the Corporation for Education Network Initiatives in California (CENIC); Pacific Bell Telephone Company dba AT&T California, AT&T Corp., Teleport Communications America, LLC, and AT&T Mobility LLC (New Cingular Wireless PCS, LLC, AT&T Mobility Wireless Operations Holdings, Inc. and Santa Barbara Cellular Systems Ltd.) (collectively, "AT&T"); the California Department of Education (CDE); the California Association of Nonprofits (CalNonprofits); and jointly by Sprint Communications L.P. and T-Mobile West LLC dba T-Mobile (Sprint/T-Mobile).

<sup>9</sup> Reply Comments were filed by: CENIC and the California Community Colleges Chancellor's Office (CCCCO).

Parties filed initial comments on Issues 3 through 11 of the First Amended Scoping Memo on April 8, 2016.<sup>10</sup> Parties filed reply comments on Issues 3 through 11 on May 6, 2016.<sup>11</sup>

On June 2, 2017, the assigned Commissioner issued a Second Amended Scoping Memo and Ruling for Phase 3 of the Proceeding (Second Amended Scoping Memo). The Second Amended Scoping Memo contemplated that a proposed decision on the following issues from the First Amended Scoping Memo would be issued in the fourth quarter of 2017:

- Issue 3: The level of a California Telehealth Network (CTN) budget cap and a health care/health services Community-Based Organizations (CBO) budget cap and associated implementation issues.
- Issue 4: How to separate internet access service used for both administrative purposes and to provide clients with direct access to the internet (hybrid use segregation or other separation).
- Issue 5: Implementation and documentation specifics for the adopted three-year eligibility verification requirement.
- Issue 11: Is the Federally Qualified Health Center (FQHC) qualification process sufficiently similar to the CTF requirements that qualification as an FQHC should be sufficient to qualify for CTF.

---

<sup>10</sup> Initial Comments were filed by: TURN; CENIC; CCCCCO; CalNonprofits; Cox California Telcom, LLC dba Cox Communications (Cox); AT&T; and the Office of Ratepayer Advocates. The Office of Ratepayer Advocates was renamed the Public Advocates Office of the Public Utilities Commission pursuant to Senate Bill 854 (Stats. 2018, ch. 51.) Hereafter, this decision refers to this party as the Public Advocates Office or Cal Advocates.

<sup>11</sup> Reply Comments were filed by: ORA, TURN, CENIC, CCCCCO, CalNonprofits, Cox, AT&T, the Center for Accessible Technology (CforAT), and the Califa Group.



The Second Amended Scoping Memo invited parties to file additional comments on Issues 3 and 11. It also determined that the scope of Phase 3 should be amended to consider whether modifications to D.15-07-007 should be made pertaining to eligibility requirements for health care/health services CBOs.

Comments on the Second Amended Scoping Memo were filed on June 20, 2017 by AT&T and Sprint. Reply Comments were filed on June 30, 2017 jointly by TURN and CforAT, and by the California Association of Competitive Telecommunications Companies (CALTEL).

On January 11, 2018, the Commission adopted D.18-01-006, which addressed implementation issues and documentation requirements for the three-year eligibility verification process adopted in D.15-07-007 for CBOs, including Issues 3, 4, 5, and 11 from the First Amended Scoping Memo and the additional issues from the Second Amended Scoping Memo. D.18-01-006 found that additional information and implementation details should be considered prior to adopting a process to implement the requirement adopted in D.15-07-007 that qualifying services must be 50 percent or more of a CBO's mission. D.18-01-006 directed Commission Staff to hold a workshop to address these implementation details.

A Staff Proposal for implementing the 50 percent mission requirement was issued on March 9, 2018. Comments on the Staff Proposal were filed on March 23, 2018 by CalNonprofits and jointly by TURN and CforAT. Reply comments were filed on March 30, 2018 by CalNonprofits. A workshop was held on April 9, 2018.

A Workshop Report and Revised Staff Proposal were issued on May 16, 2018. Comments on the Workshop Report and Revised Staff Proposal were filed on May 30, 2018 by The Public Advocates Office and jointly by

CforAT, CalNonprofits, and TURN (collectively, "Joint Parties"). Reply comments were filed on June 6, 2018 by the Joint Parties.

On July 17, 2018, the assigned Commissioner issued a Third Amended Scoping Memo and Ruling for Phase 3 of the Proceeding (Third Amended Scoping Memo) and asked for comment on whether: 1) CTF support for voice services should be discontinued; 2) the list of CTF-eligible services should be expanded to include all mobile data services; and 3) the definition of Community-Based Organization should be modified. Opening comments were filed on August 10, 2018 by the Public Advocates Office, the Joint Parties, and Sprint. Reply comments were filed on August 17, 2018 by the Public Advocates Office, the Joint Parties, and AT&T.

A ruling requesting comment on changes to the CTF Administrative Committee was issued on September 21, 2018. Comments to the ruling were filed on October 1, 2018 by TURN and AT&T.

Today's decision resolves the remaining issues from the First Amended Scoping Memo and Third Amended Scoping Memo, including the following:

- Issue 2: Methods to determine whether wireless data plans for non-E-Rate participants are the most cost-effective form of internet access.
- Issue 6: The documentation requirements to implement D.15-07-007's adopted costs allocation processes and related ancillary functionality showings by CTF claimants.
- Issue 7: Development of annual submittals, detailed pricing information, and documentation requirements necessary to implement D.15-07-007.
- Issue 8: Recommendations on improvements to resource allocation and potential budget augmentations for administration of the CTF program as necessary to implement D.15-07-007's program reforms.

- Issue 9: Should taxes and fees (such as company-specific surcharges, the CPUC User Fee, the Federal Excise Fee, the 911 Fee, and local taxes) be eligible for CTF support?
- Issue 10: Should Community Colleges be added to the CTF Advisory Committee?

### **3. Discussion**

#### **3.1. CTF Voice Discount**

In 2014, the Federal Communications Commission (FCC) determined that the federal E-rate program would phase out support for “legacy services,” including voice services, by July 2019 in order to focus on funding high-speed broadband.<sup>12</sup> In D.15-07-007, the Commission considered the issue of whether CTF discounts for voice services<sup>13</sup> should be eliminated in conjunction with the federal E-rate program’s elimination of subsidies for these services. Due to limited California-specific data regarding voice subsidies and concerns that areas of California remain unserved or underserved by broadband, the Commission determined that the CTF program should not fully phase out voice discounts. The Commission, however, affirmed that the CTF should focus its support on advanced telecommunications services, and therefore, reduced CTF support of

---

<sup>12</sup> *In the Matter of Modernizing the E-Rate Program for Schools and Libraries* (2014) FCC 14-99, 29 FCC Rcd 8870 (“FCC E-Rate Modernization Order”) at ¶ 135. E-rate is the commonly used name for the Schools and Libraries Program of the Universal Service Fund, which is administered by the Universal Service Administrative Company under the direction of the FCC. The program provides discounts to assist schools and libraries in the United States to obtain affordable telecommunications and Internet access. <https://en.wikipedia.org/wiki/E-Rate>.

<sup>13</sup> “Voice services” are those designated eligible under D.96-10-066 for the purpose of two-way communications, and their functional equivalents, including voice communications provided via interconnected Voice Over Internet Protocol (VoIP). (D.15-07-007 at 39.) Services like Digital Subscriber Line (DSL) and T1 are not classified as voice services in this proceeding because they are primarily high-speed internet access or data services. (*Ibid.*)

voice services from 50 to 25 percent and contemplated revisiting this issue as better data became available.

The Third Amended Scoping Memo determined that the Commission should reconsider during Phase 3 of this proceeding whether CTF support for voice services should be eliminated consistent with the E-rate program's phase out of its voice discount. Upon reconsideration of this issue, we find that CTF support for voice services should be discontinued and that the CTF should focus on supporting advanced telecommunications services. Consistent with the E-rate program's phase out of its voice discount, we find that CTF support for voice services should be discontinued on July 1, 2019.<sup>14</sup> Available data indicates that broadband is available in almost all of California. The Commission's wireline and fixed wireless broadband deployment data show that 97.2 percent of California households are served at speeds of at least 6 megabits per second downstream and 1 megabits per second upstream.<sup>15</sup> Broadband deployment data from the FCC show that 100 percent of census blocks in California have at least 1 broadband provider available.<sup>16</sup> Results of the 2017 American Community Survey conducted by the U.S. Census show that of the 11.4 million

---

<sup>14</sup> The E-rate program will phase out the voice discount by Funding Year 2019, which begins on July 1, 2019.

<sup>15</sup> State of California Wireline and Fixed Wireless Broadband Deployment data as of December 31, 2017: [http://www.cpuc.ca.gov/uploadedFiles/CPUC\\_Public\\_Website/Content/Utilities\\_and\\_Industries/Communications\\_-\\_Telecommunications\\_and\\_Broadband/Service\\_Provider\\_Information/California\\_Advanced\\_Services\\_Fund\\_\(CASF\)\\_Program/CA18HHDCAC.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Communications_-_Telecommunications_and_Broadband/Service_Provider_Information/California_Advanced_Services_Fund_(CASF)_Program/CA18HHDCAC.pdf), p.4.

<sup>16</sup> FCC fixed broadband deployment data, broadband availability in California as of June 2017: <https://broadbandmap.fcc.gov/>.

California households with an internet connection, only 0.28 percent had dial-up alone.<sup>17</sup>

In D.15-07-007, the Commission decided to retain CTF support for voice services in part due to concerns about the impact of removing this support for CTF-eligible entities in areas unserved or underserved by broadband. Although the Commission reduced CTF-support for voice services from 50 to 25 percent, the Commission determined that eligible schools, libraries, government-owned and operated health care facilities, and Critical Access Hospitals in unserved or underserved areas would be able to receive an exemption from the reduced support for voice services and retain the 50 percent CTF discount (“voice exemption”).<sup>18</sup> The Commission adopted a process for eligible entities to seek the voice exemption in D.16-04-021. The Commission also determined that community-based organization and community college CTF-participants would also be eligible for the voice exemption.<sup>19</sup> Since the implementation of the voice exemption, no entities have qualified for the exemption.<sup>20</sup> This suggests that there are few if any CTF participants that lack access to broadband and that continued CTF support for voice services is no longer warranted.<sup>21</sup>

---

<sup>17</sup> US Census, 2017 American Community Survey 1-Year Estimates, Types of Computers and Internet Subscriptions in California:  
[https://factfinder.census.gov/bkmk/table/1.0/en/ACS/17\\_1YR/B28011/](https://factfinder.census.gov/bkmk/table/1.0/en/ACS/17_1YR/B28011/).

<sup>18</sup> D.15-07-007 at 42-43.

<sup>19</sup> D.16-04-021 at 16.

<sup>20</sup> <http://www.cpuc.ca.gov/General.aspx?id=11849>.

<sup>21</sup> CTF participants currently receive a 50% discount on eligible services and a 25% discount on voice services. CTF participants that qualify for the voice exemption would receive a

*Footnote continued on next page*

The Joint Parties are the only parties that recommend that the voice discount be retained. They argue that the availability of broadband in California is likely overstated.<sup>22</sup> Even if the availability of broadband may be overstated, there is no evidence to suggest that it is overstated to such a degree that it would change the conclusion that broadband is available in the vast majority of the state. Furthermore, other programs such as the California Advanced Services Fund exist to fund efforts to support and increase broadband adoption in areas that may still have low broadband access.

We find that the goals of CTF are best served by focusing support on advanced telecommunications services rather than continuing to fund voice services. In areas where broadband or other high-speed internet service is available, we have no assurance that CTF funds for voice services are not merely used to support the routine administrative and operating costs of an entity rather than to increase direct access to advanced telecommunications services in local communities.<sup>23</sup>

Supporting voice services means that there are fewer funds available to support universal advanced telecommunications services and CTF support for voice services is likely to increase as the E-rate program phases out its support. In FY 2012-2013, voice-only services amounted to approximately \$13.4 million out of the program's total \$77.4 million in discounts, or 17.3 percent of the total

---

50% discount on voice services but would not be eligible to receive a discount on other services since only participants that lack access to broadband services are eligible for the voice exemption.

<sup>22</sup> Joint Parties August 10, 2018 Comments at 4-5.

<sup>23</sup> D.15-07-007 at 41.

fund discounts.<sup>24</sup> CTF support of voice services constituted approximately 19 percent of total CTF support for each FY from 2015 through 2018.<sup>25</sup> The increase in CTF support for voice services coincides with the E-rate program's phasing down of its support of voice services. For E-rate participants, the CTF discount is applied to the net purchase price after the E-rate discount has been applied. As the E-rate program phases out voice support, the portion of the voice rate eligible for the CTF discount increases.<sup>26</sup> If it were to continue, CTF support for voice services would increase as the E-rate program continues to phase out and eventually eliminate its support for voice services.

The Public Advocates Office supports the elimination of the CTF discount for voice services but recommends that the Commission retain the voice exemption.<sup>27</sup> The Public Advocates Office notes that there are still some areas of the state that lack access to high-speed internet service and argues that the exemption should be retained for CTF-eligible organizations that have no means of accessing the internet except through dial-up service.

Indeed, we implemented the voice exemption to ensure that no CTF-eligible entity was left behind.<sup>28</sup> In implementing the voice exemption, we directed CD to identify and make available a list of CTF participants in unserved or underserved areas based on information in the Commission's California

---

<sup>24</sup> *Ibid.*

<sup>25</sup> Cal Advocates August 10, 2018 Comments at 2.

<sup>26</sup> D.15-07-007 at 41.

<sup>27</sup> Cal Advocates August 10, 2018 Comments at 2.

<sup>28</sup> D.15-07-007 at 42.

Broadband Availability Maps.<sup>29</sup> CD subsequently identified CTF participants that potentially qualified for the voice exemption and instructed those participants to apply for the voice exemption if they could also meet the certification requirements set forth in D.16-04-021.<sup>30</sup> Approximately one dozen participants responded with an application for the voice exemption, however upon inspection Staff determined that none met the requirements to obtain the voice exemption. In addition, subsequent to the initial implementation of the voice exemption, CD received only five new applications requesting the voice exemption. Here too, CD's due diligence found that none of these new applicants met the requirements for the voice exemption. To date, no entities have qualified for the voice exemption. We find this is sufficiently compelling evidence that the voice exemption, while well intentioned, is unnecessary. Therefore, we eliminate the voice exemption upon issuance of this Decision.

### **3.2. Support for Mobile Broadband Services**

#### **3.2.1. Onsite Use of Mobile Broadband Services**

The E-rate program eliminated federal discounts for mobile broadband services effective funding year 2015.<sup>31</sup> However, the E-rate program does allow for mobile broadband services if an entity can demonstrate that the plans are the most cost-effective option for providing broadband service at the school or library. In D.15-07-007, the Commission determined that, consistent with federal policy, the CTF will provide discounts for wireless broadband plans and air

---

<sup>29</sup> D.16-04-021 at 9.

<sup>30</sup> D.16-04-021 at Ordering Paragraph 6.

<sup>31</sup> FCC E-Rate Modernization Order at ¶¶ 152-153.



cards if the entity can demonstrate that it is the most cost-effective means of internet access.<sup>32</sup>

For E-rate participants, the CTF will accept documentation of the FCC's E-rate approval of the entity's services as evidence that it is the most cost-effective solution available. Methods for non-E-rate participants to demonstrate that services are the most cost-effective form of broadband access was scoped into Phase 3 of this proceeding.

For non-E-rate CTF participants, we find that mobile broadband services should be deemed cost-effective if an entity demonstrates that fixed broadband service is not available at a location. The parties commenting on this issue support this approach.<sup>33</sup>

The Public Advocates Office recommends that the California Broadband Availability Map be used to determine whether wireline broadband service is provided at a specific address.<sup>34</sup> However, the Joint Parties argue that that the Broadband Availability Map should not be the only resource for considering whether mobile broadband services should be eligible for CTF support. The Joint Parties argue that the Broadband Availability Map potentially overstates the availability of broadband within each census block and cannot identify the most cost-effective services that best support an organization's needs.<sup>35</sup>

---

<sup>32</sup> D.15-07-007 at 44.

<sup>33</sup> Joint Parties August 10, 2018 Comments at 9; Cal Advocates August 10, 2018 Comments at 5; Sprint August 10, 2018 Comments at 5-6.

<sup>34</sup> Cal Advocates August 10, 2018 Comments at 5.

<sup>35</sup> Joint Parties August 17, 2018 Comments at 6.

In order to demonstrate that fixed broadband service is not available, a non-E-rate CTF participant must demonstrate this status with the California Interactive Broadband Map, an attestation, and a letter from the closest fixed broadband service provider denying broadband service for the approved location. AT&T comments that it currently does not provide such letter.<sup>36</sup> As a condition of CTF participation, we conclude that a CTF carrier is required to issue a letter to document service availability for non-E-rate CTF participants if it is requested. We share the concerns of the Joint Parties that the Broadband Availability Map may overstate broadband availability within a census block. Therefore, the fact that the map demonstrates that a location is served shall not necessarily be dispositive but rather will be considered in conjunction with the attestation and letter denying service in determining whether a location is served. The non-E-rate CTF applicant should also identify each type of mobile broadband service for which it is seeking CTF support.

Sprint and the Joint Parties also recommend that CTF participants be allowed to self-certify that the means of broadband service chosen, whether wireline or mobile, represents for that participant the most cost-effective means of achieving its goals.<sup>37</sup> These parties note that participants have an incentive to choose services wisely since participants must pay for at least 50 percent of the services they obtain through the CTF program. The Public Advocates Office opposes this recommendation, arguing that it would result in an inconsistent

---

<sup>36</sup> AT&T April 8, 2019 Comments at 1.

<sup>37</sup> Sprint August 10, 2018 Comments at 7; Joint Parties August 17, 2018 Comments at 6-7.

review process and lacks standards for holding the CTF participant accountable.<sup>38</sup>

We agree with the Public Advocates Office that self-certification of cost-effectiveness alone is insufficient. We do not find a sufficient basis in the record for adopting other methods for determining cost effectiveness of mobile broadband services. We may revisit this determination in the future if data suggests that the cost of mobile broadband services is comparable or equal to fixed broadband service.

Currently, data plans and laptop cards are the only mobile data services that are eligible for CTF support.<sup>39</sup> The current list of eligible CTF services may not accurately reflect the changing mobile data service industry and available technologies and how CTF participants are using different mobile data technologies. We do not find that there is a compelling justification to favor one technology over another. We agree with parties that support a technology neutral approach and focus on the intended use of the mobile broadband service rather than a specific technology.<sup>40</sup> Therefore, we find that the eligible CTF services list should be modified to include all mobile broadband services, not just wireless data plans and air cards, so long as the mobile broadband service is the most cost-effective means of broadband service. As discussed above, we find that these services should be deemed cost-effective if they are the only means of broadband service available.

---

<sup>38</sup> Cal Advocates August 17, 2018 Comments at 3.

<sup>39</sup> D.15-07-007, Appendix B.

<sup>40</sup> Sprint August 10, 2018 Comments at 2-3; Joint Parties August 17, 2018 Comments at 5-6; AT&T August 17, 2018 Comments at 1.

### **3.2.2. Offsite Use of Mobile Broadband Services**

The Joint Parties and Sprint support a determination that mobile broadband services be eligible for CTF if an eligible non-E-rate CTF participant provides qualifying services at offsite locations in addition to the approved location.<sup>41</sup> Offsite services may further a non-E-rate CTF participant's mission and mobile broadband may be the only form of broadband service available. The Public Advocates Office opposes such a determination arguing that there is a lack of evidence that expanding CTF support to offsite services would advance CTF goals.<sup>42</sup>

We find that a non-E-rate CTF participant that meets all the eligibility criteria for the CTF program should be eligible to receive CTF support for mobile broadband services used at offsite locations (in addition to the approved location) to provide qualifying services provided that these offsite locations are in California and serve the entity's intended communities. We do not find that there is a material difference between the participant providing a qualifying service at a specific location approved in the application or at an offsite location. If the participant is providing qualifying services, we find that the goals of CTF are being furthered under either circumstance. To obtain the discount, the CTF participant must demonstrate to Staff that mobile broadband services are the only means of broadband service available to provide qualifying services at offsite locations.

---

<sup>41</sup> Joint Parties August 10, 2018 Comments at 9; Sprint August 10, 2018 Comments at 6.

<sup>42</sup> Cal Advocates August 10, 2018 Comments at 3-4.

### **3.2.3. Fiscal Impact**

Several parties raise concerns regarding the potential fiscal impact on the fund of expanding support for mobile data services. There are some limitations on the entities that will be eligible for support for mobile data services since the entity would still have to demonstrate that it meets all the eligibility criteria for the CTF program, including the requirement that it provide services directly to individuals at specific geographic locations and the requirement that qualifying services must be 50 percent or more of its mission.<sup>43</sup> Moreover, the phasing out of the voice discount, which comprised 19 percent of CTF funds paid in FY 2018, provides additional resources to support the additional technologies. Our decision today to phase out the voice discount while increasing support for new technologies reaffirms our determination in D.15-07-007 that CTF should focus its support on advanced telecommunications services and that CTF support must change in response to the changing nature of advanced telecommunications services.<sup>44</sup>

Given the expansion of support for various mobile technologies, it will be valuable to gather information regarding CTF participants' technology usage and the cost-effectiveness of these technologies. AT&T recommends revising the CTF application and approval letter to include support for the different technologies (wireline broadband, fixed wireless broadband, and mobile broadband), and replicate that CTF participant approval status on the CTF website.<sup>45</sup> In support of this effort, Commission Staff will make updates to the current CTF application

---

<sup>43</sup> The eligibility criteria are set forth in D.15-07-007, Appendix A at 2-3.

<sup>44</sup> D.15-07-007 at 41-42.

<sup>45</sup> AT&T April 8, 2019 Comments at 1-2.

to include a separate section for both existing participants and new applicants to apply for CTF support for onsite mobile broadband service and/or offsite mobile broadband service.

The Commission's Communications Division should work with the Commission's Information Technology Services Division to develop a platform to track technology usage and cost-effectiveness for CBOs and other CTF participants. As suggested by the Public Advocates Office, the Communications Division should post this information on the CTF website once available and provide regular updates.<sup>46</sup> We acknowledges the urgency of reporting these updates. To support this effort, the Communications Division will identify and implement modifications to the current CTF carrier claim process to enable tracking of technology usage and cost-effectiveness.

### **3.3. Definition of CTF-Eligible Community-Based Organization**

Pub. Util. Code § 280 requires the Commission to "develop, implement, and administer a program to advance universal service by providing discounted rates" to, among other entities, "community organizations." The Commission first adopted community-based organizations (CBOs) as a CTF-eligible category in D.96-10-066. In D.15-07-007, the Commission adopted the following definition of a CTF-eligible CBO:

[A] small, nongovernmental, California nonprofit corporation which itself directly serves individuals and families and which offers services to anyone who needs it without charge or at a minimal fee. The organization must offer services within a local geographic area in

---

<sup>46</sup> Cal Advocates April 8, 2019 Comments at 3-4.

California and have a governing body drawn largely from the community it serves.<sup>47</sup>

Prior to D.15-07-007, CBOs were required to be tax exempt 501(c)(3) or 501(d) organizations that offer one or more of the following qualifying services: health care, job training, job placement, 2-1-1 referral (as authorized by Commission Resolution) and information services, educational instruction, or a community technology program providing access to and training in the internet and other technologies.<sup>48</sup> D.15-07-007 adopted additional CBO eligibility criteria to ensure the advancement of CTF goals and required CBOs to re-verify their CTF program eligibility every three years.<sup>49</sup> D.15-07-007 also adopted a new subcategory of CBO called health care/health services CBO.<sup>50</sup>

One of the primary objectives of CTF is to “assist in bridging the ‘digital divide’ by encouraging expanded access to state-of-the-art technologies for rural, inner-city, low-income, and disabled Californians.”<sup>51</sup> The Commission’s stated goals of the CTF program include advancing universal service, bringing every Californian direct access to advanced communications services in their local communities, ensuring high-speed internet connectivity for community CTF-eligible institutions at reasonable rates, and increasing direct access to high-speed internet in communities with lower rates of internet adoption and greater financial need.<sup>52</sup> To align with the statutory intent and goals of the CTF

---

<sup>47</sup> *Id.* at 25.

<sup>48</sup> *Id.* at 22.

<sup>49</sup> *Id.* at 25-26, Appendix A at 2-3 and 7.

<sup>50</sup> *Id.* at 29.

<sup>51</sup> Pub. Util. Code, § 709(d).

<sup>52</sup> D.15-07-007, Appendix A at 1.

program, we find that the current CBO definition should be modified to clarify that eligible entities must provide qualifying services to populations impacted by the digital divide.

We also find that the definition should be modified to reflect the new subcategory of health care/health services CBOs.<sup>53</sup> Although health care CBOs must meet most of the CBO eligibility criteria, there are also some different requirements compared to other subcategories of CBO. For example, a health care CBO is not required to provide its community access to the internet and is subject to a \$50 million revenue cap as opposed to the \$5 million revenue cap for other CBOs.<sup>54</sup> Defining a CBO as a “small” nonprofit corporation may not be applicable to health care CBOs.

Therefore, we modify the current CBO definition as follows:<sup>55</sup>

A ~~small~~, nongovernmental, California nonprofit corporation which itself directly serves individuals and families, provides benefits to the community, and which offers one or more qualifying services to anyone who ~~needs it~~ without charge or at a minimal fee. The organization must offer services addressing the challenges and needs of populations impacted by the digital divide within a local geographic area in California and have its a governing body drawn largely from the community it serves.

The Joint Parties and the Public Advocates Office recommend that a separate definition be adopted for health care/health services CBOs. Although

---

<sup>53</sup> Use of the term “health care CBO” in this decision refers to both health care and health services CBOs.

<sup>54</sup> D.15-07-007 at 25-26; D.18-01-006 at 19-20.

<sup>55</sup> Adopted deletions to the current definition are struck-through and additions are underlined.



there are differences in eligibility requirements between health care and other CBOs, health care CBOs were intended to be a subcategory of eligible CBO and are subject to most of the general CBO requirements. We find that the above definition adequately encompasses the different services that the Commission has determined should be CTF-qualifying services and that an additional definition would be needlessly cumbersome.

The Public Advocates Office comments that the language that a CBO must “offer services addressing the challenges and needs of populations impacted by the digital divide” does not align with the CTF goal of bridging the digital divide and recommends that the definition include language that a CBO must provide the community it serves access to the internet.<sup>56</sup> However, the Commission has previously determined that the requirement that a CBO provide internet access does not apply to all CBOs, such as health care or 2-1-1 CBOs.<sup>57</sup> Our aim is to adopt a definition that would apply to all types of eligible CBOs.

The Joint Parties also do not support including the phrase “addressing the challenges and needs of populations impacted by the digital divide” to the definition of a CBO arguing that this phrase is redundant, may be too limiting, and may lead to confusion.<sup>58</sup> The Joint Parties argue that any eligible CBO with an annual budget of less than \$5 million can be assumed to serve the populations impacted by the digital divide.<sup>59</sup> The Joint Parties recommend a definition that describes the general characteristics that a CBO should have, including “use of

---

<sup>56</sup> Cal Advocates August 10, 2018 Comments at 5.

<sup>57</sup> D.15-07-007 at 25; see also Joint Parties August 17, 2018 Comments at 7-8.

<sup>58</sup> Joint Parties August 10, 2018 Comments at 6-7.

<sup>59</sup> *Id.* at 7.

linguistically and culturally appropriate service delivery systems that are sensitive to and knowledgeable of its community's needs, and [collaborative work] with other community organizations and government agencies to address its community's specific needs."<sup>60</sup>

Although a CBO with such characteristics may certainly be eligible for CTF, we find it preferable for the CBO definition to relate to the statutory intent and Commission's stated goals for the program. We emphasize that although the CBO definition we adopt today is intended to provide guidance to CTF applicants regarding whether they may qualify for CTF, it is not intended to be a substitute for or replace the CBO eligibility criteria previously adopted by the Commission.

#### **3.4. Implementation of 50 percent mission requirement for CBOs**

In order to advance CTF program goals, D.15-07-007 adopted new eligibility criteria for community-based organizations (CBOs) participating in the CTF program and required CBOs to re-verify their program eligibility every three years.<sup>61</sup> One of the new eligibility criteria is that qualifying services must be 50 percent or more of a CBO's mission.<sup>62</sup>

In D.18-01-006, the Commission addressed implementation issues and documentation requirements for the three-year CBO eligibility verification process. The Commission, however, found that additional information and

---

<sup>60</sup> *Ibid.*

<sup>61</sup> D.15-07-007, Appendix A at 2-3 and 7.

<sup>62</sup> The following services are defined as "qualifying services": health care, job training, job placement, 2-1-1 referral (as authorized by Commission Resolution) and information services, educational instruction, or a community technology program providing access to and training in the internet and other technologies. (D.15-07-007 at 64-65.)

implementation details should be considered prior to adopting a process to verify the 50 percent mission requirement. D.18-01-006 directed Commission Staff to hold a workshop to address these implementation details. As detailed above, pursuant to this directive, Commission Staff has held a workshop and issued a Staff Proposal and Revised Staff Proposal. Parties were provided with an opportunity to comment on both proposals. Based on parties' comments, Commission Staff has prepared a Final Staff Proposal, which is attached as Appendix A.

Commission Staff proposes the use of a Qualifying Service Hours Test. The applicant will be required to provide information describing the CBO's mission, goals, services provided, hours spent providing each service, the technology used to provide each service, and populations served. This information may be provided in a narrative format.<sup>63</sup> The CTF Staff will evaluate the services described by the CBO to determine if those services are qualifying services. The applicant will also be required to provide information regarding employee or staff hours spent providing qualifying services and other services. Commission Staff will use the information provided by the applicant to create a ratio (CTF Qualifying Service Hours/All Service Hours) to determine if 50 percent or more of a CBO's services are qualifying services.

In response to comments by the Public Advocates Office and the Joint Parties,<sup>64</sup> the Final Staff Proposal clarifies that applicants are required to provide information regarding all services, not just qualifying services. The Final Staff

---

<sup>63</sup> Parties had recommended that a narrative format would allow for full context and understanding of the qualifying services provided. (CforAT/TURN March 23, 2018 Comments at 9-10.)

<sup>64</sup> Cal Advocates May 30, 2018 Comments at 2-4; Joint Parties May 30, 2018 Comments at 2.

Proposal also clarifies that Management, General, and Fundraising Hours are not considered service hours.

In comments on the Revised Staff Proposal, the Public Advocates Office recommends that CBOs be required to report Management, General, and Fundraising hours and that these hours should be used in the Qualifying Services Hours Test as initially proposed in the original Staff Proposal.<sup>65</sup> The Final Staff Proposal proposes to review these hours to determine if they are reasonably proportionate to the number of all service hours provided by the CBO. A CBO that spends no more than 25 percent of its total service hours on administrative and fundraising hours would be eligible for CTF.<sup>66</sup> If a CBO spends greater than 25 percent but no more than 50 percent of its total hours on administrative and fundraising activities, Commission Staff would review all of the information provided to evaluate if the mission of the CBO advances the Commission's stated goals for CTF. A CBO that spends more than 50 percent of its total hours on administrative and fundraising activities would not be eligible for CTF.

We find reasonable and adopt Staff's Final Staff Proposal for implementing the 50 percent mission requirement. The information required is aligned with the information a CBO would provide on a grant funding application and should provide Commission Staff sufficient information to make a determination as to whether at least 50 percent of the CBO's mission consists of qualifying services.

---

<sup>65</sup> Cal Advocates May 30, 2018 Comments at 3-4. The original Staff Proposal had proposed that Fundraising Hours and 75% of Management and General Hours be factored into the Qualifying Program Service Hours Test. (Staff Proposal at 4.)

<sup>66</sup> See Cal Advocates April 8, 2016 Comments at 8-9; Cal Nonprofits May 6, 2016 Comments, Exhibit A at 50.

Moreover, the narrative format will allow CBOs the opportunity to describe their unique operations if merely providing service hours does not provide full context for the services provided. We also find Staff's proposal for evaluating administrative and fundraising hours to be reasonable in order to ensure that CTF discounts are used to support qualifying services rather than to subsidize administrative costs.

Implementation of the new CBO eligibility criteria and the 50 percent mission requirement may have substantial impact on community-based organizations. Therefore, the Communications Division should conduct thorough outreach and education to provide community-based organizations with information regarding the new eligibility requirements in a timely manner. At a minimum, this outreach should include the sending of notifications to and the updating of eligibility criteria on the CTF web page. Moreover, Communications Division Staff shall monitor the impacts of these changes to the program and may propose changes to the process to implement the fifty percent mission requirement or other eligibility requirements via a Resolution.

### **3.5. Non-E-rate Cost Allocation Process**

A trend in the telecommunications industry is the emergence of bundled service offerings as a competitive tool. Inappropriately applying the CTF discount to bundled service offerings that include both broadband and voice services will increase overall claims for the CTF program.

The Commission adopted the federal E-rate approach for cost allocation between eligible and ineligible services for CTF carriers that participate in the federal E-rate program in D.15-07-007. Carriers that do not participate in the federal E-rate program must also have a way to separate out voice and

broadband components from bundled service offerings, so that they can apply program discounts properly.

CTF carriers that participate in the federal E-rate program have the ability to differentiate between voice and broadband services using the federal E-rate cost allocation methodology. Because services can be used in many different ways, no single cost allocation methodology is required. However, any methodology must meet the test of being based on tangible criteria that reach a reasonable result.<sup>67</sup>

The federal E-rate program restricts the use of funds to services and products used by eligible entities for eligible purposes (*i.e.*, a primarily educational purpose). When a product or service contains ineligible components, a cost allocation process is required to remove the ineligible components so that only the eligible portion receives the discount.<sup>68</sup>

Possible methods for cost allocation for the federal E-rate program include the following:

- If a product bundle has individualized pricing for the components, the individualized pricing can be used to determine a cost allocation.
- Components that have multiple purposes or support both eligible and ineligible functions can be cost allocated by considering the functions for a product equal in value.
- A service can in some cases serve both an eligible and ineligible location. An itemized bill identifying which locations are receiving services may be used to ensure only eligible sites are being funded.

---

<sup>67</sup> <https://www.usac.org/sl/applicants/beforeyoubegin/eligible-services/cost-allocations.aspx>

<sup>68</sup> *Ibid.*

Carriers that do not participate in the federal E-rate program can utilize inter-state and intra-state surcharge allocations to differentiate voice services from broadband services in bundled product offerings. All telecommunications carriers that sell telephone service to the public, in California, are required to assess and collect inter-state and intra-state surcharges on voice services from consumers.

Carriers remit inter-state surcharges to the Federal Communications Commission or FCC; intra-state surcharges are sent to the Commission. The intra-state surcharges fund the Commission's public purpose programs including the CTF program. Carriers must cost allocate the inter-state and intra-state voice components to assess the relevant surcharges even within a bundled offering that contains broadband and voice services.

After accounting for the inter-state and intra-state voice components the remaining cost allocation covers the broadband component of the bundled offering. Using this approach, carriers that do not participate in the federal E-rate program can apply the appropriate CTF discounts to voice and broadband services in any bundled product offering.

The Corporation for Education Network Initiatives in California (CENIC) mentions in comments that the Commission should adopt a cost allocation approach that is "doable" for carriers and CTF eligible entities that do not receive the E-rate discounts.<sup>69</sup> The cost allocation process, discussed above, using inter-state and intra-state surcharge allocation is "doable" since carriers are already required to assess these surcharges and remit funds to the appropriate

---

<sup>69</sup> CENIC April 8, 2016 Comments at 2.

jurisdiction. Moreover, California Pub. Util. Code § 709(g) requires (the Commission to support) telecommunication policies that promote fair product and price competition, encourage greater efficiency, lower prices, and create more consumer choice.

The Commission provides clarity for carriers and their customers in this decision by providing that carriers may use inter-state and intra-state voice surcharge allocations as a method to enable clear delineation between broadband and voice components for bundled service offerings when components cannot be easily differentiated. Carriers may use this method of cost allocation or the method(s) prescribed by the federal E-rate program, as discussed above.

### **3.6. CTF Data Request**

Pub. Util. Code § 709 guides the provision of telecommunications in California. Key sections of the code at subdivisions (f) - (h) clarify the California Legislature's intent as follows:

- (f) To promote lower prices, broader consumer choice, and avoidance of anticompetitive conduct.
- (g) To remove the barriers to open and competitive markets and promote fair product and price competition in a way that encourages greater efficiency, lower prices, and more consumer choice.
- (h) To encourage fair treatment of consumers through provision of sufficient information for making informed choices, establishment of reasonable service quality standards, and establishment of processes for equitable resolution of billing and service problems.

In comments filed March 4, 2013 U.S. Telepacific Corp. and MPower Communications Corp. echo the Legislature's intent in stating, "... in order to



assure even handed and equitable implementation of the rules, there should be a clear understanding by all parties of certain basic concepts and terms.”<sup>70</sup>

Further, in D.15-07-007, the Commission directed carriers to submit to the Communications Division Director a list of CTF-eligible services (and functional equivalents) offered to CTF participants. The report shall include: (a) the marketed name of each service; (b) the Eligible Service category of each service; and (c) a brief description of each service including speed levels.<sup>71</sup> The Public Advocates Office supports the Commission’s approach to reporting of pricing information in comments citing the following language from D.15-07-007: “Cost information by eligible service product is fundamental for the transparency needed for customers to make informed service choices...”<sup>72</sup>

To facilitate the directives set forth in D.15-07-007, and in accordance with Pub. Util. Code § 709, Staff shall gather and make public accurate and detailed information from carriers to enable CTF participants to make informed choices when purchasing CTF eligible services. In order to obtain accurate information in a timely and ongoing manner Staff will issue data requests to carriers on at least an annual basis, with a deadline for response. At minimum, the data request should include the information identified in D.15-07-007 but also may specify any additional information Staff deems necessary, such as: product categories; the technology being offered; the number of CTF participants using each eligible service; and, the “rack rate” or base price of eligible services. Staff

---

<sup>70</sup> U.S. Telepacific Corp. and MPower Communications Corp. March 4, 2013 Comments at 2.

<sup>71</sup> D.15-07-007, Appendix A at 6.

<sup>72</sup> Cal Advocates May 6, 2016 Comments at 6 quoting D.15-07-007 at 49.

will update the data request as needed to capture program changes and collect all necessary data.

The data request supports implementing the Commission's direction to carriers in D.15-07-007 to disclose complete and detailed pricing information for each CTF-eligible service and their functional equivalents. In addition to providing complete and timely responses to the data requests, CTF carriers must also post and maintain on their websites complete and detailed pricing information for each CTF-eligible service and their functional equivalents.<sup>73</sup>

The Commission authorizes CTF Staff to:

1. Develop a data request to gather information, provided on at least an annual basis, from CTF participating carriers regarding key CTF program aspects.
2. Work with the Commission's Information Technology staff (IT Staff) to develop a web-based portal that allows carriers to submit their response to the annual data request.

### **3.7. CTF Application and Claims Website Portal**

An essential component of CTF program administration is the continual updating of information from carriers about CTF participants, changes in technology, product offerings and pricing as well as other service information. All this information, along with CTF program details and requirements, will be captured in a public-facing website developed by the Commission's IT and CTF Staff. CENIC in its comments states that "...[there is] a need for the Commission to more effectively and efficiently manage the CTF program by incorporating

---

<sup>73</sup> D.15-07-007, Section 5.5 Carrier Reporting Requirements at 49.

more technology and electric submissions into the program.”<sup>74</sup> The Public Advocates Office filed comments supporting comments by Cox California Telcom, LLC (Cox) suggesting the Commission utilize electronic communications as much as possible to communicate with (CTF) applicants.”<sup>75</sup> The Public Advocates Office in its comments states that “...the administration of the CTF program should be web-based and the Commission should develop an on-line portal over the internet to facilitate the application process.”<sup>76</sup>

The Commission’s CTF Staff processes all aspects of the CTF program. Among the most crucial activities are managing applications and claims. An enhanced website will be a conduit for providing updated information about the status of applications and claims. Delays in processing applications lead to fewer program participants and delays in claim processing negatively impacts participating CTF carriers financially. A review of comments in the proceeding reveals broad consensus for the development of an expanded CTF internet website portal. Staff should work collaboratively with IT staff and CTF carriers in testing any claims website application, as was done with the implementation of the Mobile Telephony Services (MTS) surcharge in the Telecommunications User Fee Filing System (TUFFS) web portal. An updated website will support eligible entities updating their contact information as well as other aspects of their participation in the program. In addition, Staff will be able to more effectively track and forecast CTF program costs, participant growth, technology trends, etc. The Commission authorizes its Staff to:

---

<sup>74</sup> CENIC May 6, 2016 Comments at 3.

<sup>75</sup> Cal Advocates May 6, 2016 Comments at 7.

<sup>76</sup> Cal Advocates April 8, 2016 Comments at 11.

1. Work with the Commission's IT staff to develop a web-based portal for managing CTF applications.
2. Work with the Commission's IT staff to develop a web-based portal for managing CTF carrier claims.

### **3.8. CTF Support for Taxes, Fees and Surcharges**

During the proceeding, the question of how to handle taxes associated with voice and broadband products and services was identified as one of the issues that needed clarification. Parties' comments generally fall into two sides: one side supporting the use of the CTF discount to reduce all taxes and fees and the other side restricting discount support to only those taxes associated with CTF eligible products and services. Comments also introduced a third concern, namely whether the discount should be used to reduce the cost of any taxes, fees, and surcharges.

Currently the CTF discount is being used to reduce taxes such as company-specific surcharges, the CPUC User fees, the Federal Excise Fee, the 911 Fee, and local taxes. The Public Advocates Office mentions in comments that, "D.15-07-007 reaffirmed and restated one of the fundamental goals of the CTF program: 'Bring every Californian direct access to advanced communications services in their local communities.'" According to the Public Advocates Office, the intended beneficiaries of the CTF program are individual Californians, but in order to reach them, the CTF program utilizes entities such as community-based organizations as the "portals" by which to reach them. The community-based organizations are the recipients of the CTF support, but are not the intended beneficiaries; rather, the community-based organizations' clients are the beneficiaries. As the Commission stated in developing the Order Instituting Rulemaking to revise the CTF program, steps should be taken to ensure that:

... the discounted telecommunications services are being used to directly or indirectly benefit the public at large, and that the discount is not being used simply to reduce the CBO's telecommunications expenses.<sup>77</sup>

Cox states in its comments that, "... since all Californians and other entities are already contributing to funding institutions, like schools, libraries etc. who participate in the CTF program, via federal, state, and/or local taxes, it would be inappropriate for the Commission to use the CTF fund as an additional tax reduction mechanism."<sup>78</sup>

The Commission must balance its mandate to extend the CTF program to all eligible entities in California with the need to manage the overall size of the fund. The CTF surcharge has increased by a multiple of ten from 2010 to 2018.<sup>79</sup> According to Cox, the CTF is already the Commission's second largest public policy program and has doubled in size since FY 2009-2010.<sup>80</sup> Cox further argues that the Commission should guard against increasing the fund. In this decision, the Commission is allowing CTF discount support for mobile data services existing and future. It is prudent that the Commission limit the use of the CTF discount to support taxes, fees and surcharges and instead fund eligible CTF products and services including mobile data services.

The Commission agrees with Cox and the Public Advocates Office that the Commission should not use the CTF discount to reduce taxes, fees and

---

<sup>77</sup> *Id.* at 2.

<sup>78</sup> Cox April 8, 2016 Comments at 3-4.

<sup>79</sup> California Public Utilities Commission website <http://www.cpuc.ca.gov> at <http://www.cpuc.ca.gov/General.aspx?id=1124>

<sup>80</sup> Cox April 8, 2016 Comments at 3-4.

surcharges. Therefore, taxes, fees, and surcharges are no longer eligible for CTF support. In order to provide sufficient time for participants to prepare their budgets and carriers to implement this change, we find that this program change should take effect on July 1, 2020.

### **3.9. CTF Administrative Committee**

The CTF Administrative Committee was created pursuant to Pub. Util. Code § 280(b) to “advise the Commission regarding the development, implementation, and administration” of the CTF program and “to carry out the program pursuant to the [C]ommission’s direction, control, and approval.” Pub. Util. Code § 271(a) establishes the Commission’s authority to determine criteria for the membership of the CTF Administrative Committee and to appoint the members. Among other criteria, Pub. Util. Code § 271(a) requires that: “In determining the qualifications of persons who will serve as members of each board the [C]ommission shall consider the purpose of the program, and shall attempt to achieve balanced public participation, for each board.”

The CTF Administrative Committee’s current nine-member board was established in D.02-04-059 and consists of the following representatives: the education sector; the public library sector; public hospitals or clinics; rural clinics or telemedicine; two representatives, each affiliated with a consumer organization with relevant expertise or a community-based organization involved in public access Internet, such as a nonprofit community technology center; a large, mid-sized or small local exchange carrier; the Public Advocates

Office; and a representative from the deaf, hearing impaired, or disabled communities.<sup>81</sup>

The California Community Colleges Chancellor's Office (CCCCO) recommends that the Commission reconsider the membership composition of the CTF Administrative Committee and add an additional community colleges member.<sup>82</sup> CCCCCO notes that community colleges are the only categorically eligible category without representation on the CTF Administrative Committee. Although there is an education seat on the CFT-AC, CCCCCO argues that it is currently held by a representative of the California Department of Education and represents the interests of K-12 schools, which differ from the issues facing community colleges.

D.02-04-059 specifies that the CTF Administrative Committee should have an uneven number of members to prevent deadlocks.<sup>83</sup> The CTF Administrative Committee currently is composed of nine members and adding a community college member to the board would result in an even number of members.

Several parties propose that an additional member in addition to the community college member be added to the CTF Administrative Committee to maintain an uneven number of members. However, the only recommendation regarding what interest the additional seat should represent was CENIC's recommendation that a public member be added to the CTF Administrative Committee. We find that a public member is too broad and insufficiently defined as a category. Moreover, the CTF Administrative Committee already

---

<sup>81</sup> D.02-04-059 at 15.

<sup>82</sup> CCCCCO April 8, 2016 Comments at 2-3.

<sup>83</sup> D.02-04-059 at 6.

consists of nine members; increasing the number of seats also increases administrative costs and logistical challenges for the board.

Other parties recommend that a community college member be added and that one of the existing seats be removed to maintain an uneven number of members. However, in reviewing the current board membership, we find that the current membership generally achieves balanced public participation and is generally reflective of the diversity of stakeholders involved in the CTF program.<sup>84</sup> We find that our original rationale for including these seats to meet the objectives of the program still hold true today.<sup>85</sup> Although the interests of community colleges may differ from K-12 grade schools, it is unclear how much the technological needs with respect to broadband access differ and that one of the current seats, which represent varied needs and interests, should be removed. Therefore, we find that the composition of the CTF Administrative Committee board should not be changed at this time. To the extent possible, the education seat should represent both K-12 and community colleges. We also note that the CTF Administrative Committee meetings are open to the public and that the broader members of the public (whether as individuals, or as the authorized representatives of specific organizations) are free to attend and speak at the meetings.

---

<sup>84</sup> See TURN October 1, 2018 Comments at 3.

<sup>85</sup> D.02-04-059 at 15-16.



Parties also commented regarding the extended vacancy of the rural clinics/telemedicine seat. The CTF Administrative Committee Charter requires that:

The organizations or constituencies whose seat is vacated shall nominate individuals to fill that vacancy, and the selection and approval of the individual to fill that vacancy shall be made by the Commission's Executive Director. If the Committee is unable to identify a suitable candidate to fill the vacancy for any reason, the Commission or Executive Director may appoint a member of the class from which the vacancy occurs.<sup>86</sup>

The objectives of the CTF Administrative Committee cannot be advanced with extended vacancies of seats. If there are extended vacancies (exceeding 90 days from the date of a CTF Administrative Committee meeting) of a seat, and the organizations or constituencies represented by that seat do not nominate individuals to fill that vacancy within that timeframe, the Commission's Executive Director may make an appointment to fill the seat or Commission Staff may propose in a Resolution removal of that seat and addition of another seat that represents other organizations or constituencies.

#### **4. Comments on Proposed Decision**

The proposed decision (PD) of Commissioner Randolph in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on April 8, 2019 by the Public

---

<sup>86</sup> CTF Administrative Committee Charter, Article 3.6 available at: <http://www.cpuc.ca.gov/General.aspx?id=2579>.

Advocates Office, the Joint Parties, the Small LECs,<sup>87</sup> AT&T, CALTEL, the California Cable & Telecommunications Association (CCTA), and CENIC. The CTF Administrative Committee also served comments on the PD on April 8, 2019. An administrative law judge ruling issued on April 12, 2019 added these comments into the proceeding record and permitted parties to respond to these comments in reply comments. Reply comments were filed on April 15, 2019 by the Public Advocates Office; CforAT; CALTEL; CENIC, CCCCCO, and the Califa Group (jointly); CalNonprofits and TURN (jointly); AT&T; and CCTA.

The CTF Administrative Committee and CALTEL support elimination of the voice discount and exemption. The Joint Parties, Small LECs, and CCTA all oppose elimination of the CTF discount for voice services. These parties do not demonstrate that there is legal error in eliminating CTF support for voice services. The Small LECs state that the purpose of the CTF program as set forth in the governing statute is to “advance universal service by providing discounted rates” to qualifying entities.<sup>88</sup> However, there is no statutory requirement that CTF be used to support voice services and it is within the Commission’s authority and discretion to determine how to “develop, implement, and administer” the program.<sup>89</sup> Pursuant to this statutory authority, in D.15-07-007 the Commission adopted restated program goals for the program to advance

---

<sup>87</sup> The Small LECs consist of: Calaveras Telephone Company, Cal-Ore Telephone Company, Ducor Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Foresthill Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, the Ponderosa Telephone Company, Sierra Telephone Company, Inc., the Siskiyou Telephone Company, Volcano Telephone Company, and Winterhaven Telephone Company.

<sup>88</sup> Small LECs April 8, 2019 Comments at 2 citing Pub. Util. Code, § 280(a).

<sup>89</sup> Pub. Util. Code, § 280(a).

universal service. As discussed above, elimination of the voice discount furthers these adopted goals.

AT&T recommends that the Commission use the term “fixed broadband” to refer to both wireline and fixed wireless broadband. The CTF Administrative Committee also recommends that the Commission clarify terminology regarding fixed and mobile broadband service. The PD has been modified as recommended by AT&T to clarify this terminology.

In order to demonstrate that fixed broadband service is not available, the PD required a non-E-rate CTF participant to demonstrate this status with the California Interactive Broadband Map, an attestation, and a letter from the incumbent local exchange carrier (ILEC) denying broadband service for a particular address. AT&T comments that ILECs are not the only providers of fixed broadband. AT&T also comments that it does not provide such letters to prospective customers. The Joint Parties also comment that there is no record to demonstrate how such a letter could be obtained from a carrier.

As a condition of CTF participation, we conclude that a CTF carrier should be required to issue a letter to document service availability for non-E-rate CTF participants if it is requested. However, in recognition of the fact that ILECs are not the only fixed broadband providers, the PD has been modified to require a letter from the closest fixed broadband service provider denying broadband service for the approved location.

AT&T also comments that the PD should clarify the process for informing wireless providers that Commission Staff has given approval for CTF funds for offsite mobile data services. The PD has been modified to clarify that this information will be provided in the existing application, approval letter, and on the Commission’s CTF website.

The Public Advocates Office comments that CBOs' use of mobile data services should be prohibited except for health care organizations. We do not find that these comments raise any legal or factual errors that would require modification to the PD. However, in response to these comments, we clarify that an offsite location refers to a location other than the approved location where qualifying services are provided and have modified the PD to provide additional clarification regarding the requirements for offsite locations.

The Joint Parties comment that the PD focuses on eligibility for direct services and ignores the previous determination by the Commission that CTF funding can also support indirect access to qualifying services. Nothing in this decision is intended to modify the rule adopted in D.15-07-007 that a CBO may provide qualifying services directly or through some closely related indirect assistance.<sup>90</sup> This rule would apply to qualifying services a CBO provides at its approved location as well as at any offsite locations.

The Joint Parties and the CTF Administrative Committee raise concerns that implementation of the new CBO eligibility requirements could be burdensome and too complex for applicants. These parties comment that there should at minimum be additional education and outreach regarding the program changes. We agree that "[t]he Commission should provide participating CBOs with as much notice as possible about ... program changes"<sup>91</sup> and will develop a plan to notify applicants, providers, and stakeholders of all changes to CTF at least 30 days prior to implementation. Commission Staff should also monitor the impacts of these program changes. If Commission Staff believe changes to the

---

<sup>90</sup> D.15-07-007 at 74, Ordering Paragraph 2 and Appendix A at 3.

<sup>91</sup> Joint Parties April 8, 2019 Comments at 8.

implementation of these new requirements are warranted, Staff may propose such changes in a Resolution.

Parties express concern in comments and reply comments about the immediate elimination of using the CTF subsidy to reduce taxes, fees and surcharges. Among the concerns mentioned in comments are, the impact of the elimination of these items on the budget for some community-based organizations; the impact on schools participating in the Broadband Infrastructure Improvement Grant program; and, potential funding challenges for libraries and community colleges. In eliminating the use of the CTF subsidy to reduce taxes, fees, and surcharges the Commission brings the CTF program in alignment with the intention of the origination statute which was targeted specifically to improve universal access to telecommunications services including broadband. The Commission acknowledges that this realignment does impact current participants in the CTF program and finds it reasonable for this program change to take effect on July 1, 2020 to allow time for participants to adequately prepare their budgets and for carriers to implement this change.

In comments and reply comments parties also express concern about the need for collaboration between Commission Staff and stakeholders for the development of the web portal for applications and claims. We expect Commission Staff to work with stakeholders through various modes, such as webinars and workshops, to develop the web portal. The Commission's Communications Division Staff have worked with stakeholders to develop the Telecommunications User Fee Filing System (TUFFS) and we expect similar collaborative processes to be used to develop the web portal.

Parties also comment on the need to protect confidential information both for the provision of data in response to the annual data request and within the

process to develop the web portal for CTF program applications and claims. Since the CTF program is funded by public resources all information is generally considered public. The data request will largely focus on information that carriers already provide to the Commission via emails; using a web portal may be more secure than the current email system. That said, the Commission does recognize the need to keep some customer information confidential as well as market sensitive carrier information. The Commission established, in D.16-08-024, procedures for requesting that certain information submitted to the Commission be considered confidential. CTF carriers may use existing Commission processes to request confidential treatment of the information for both the web portal and the data request.

The CTF Administrative Committee recommends that the time for the Executive Director to fill a vacancy or for Commission Staff to recommend removal of a seat on the committee should be 90 days from the next occurring committee meeting since the committee meets quarterly. The PD has been modified to adopt this recommendation.

CCTA comments that carriers should have until July 1, 2019 to implement any changes that may be necessary to implement the decision. CENIC, CCCCCO, and the Califa Group also comment that any program or eligibility changes should commence no sooner than July 1, 2020 to allow customers sufficient time to plan appropriately for the program changes. With the exception of the elimination of support for taxes, fees, and surcharges, which shall be effective as of July 1, 2020, we find that it is reasonable for any changes to the program adopted in today's decision to be implemented as of July 1, 2019.

In addition to the modifications listed above, editorial changes have been made to the PD to improve its clarity and correct minor errors.

## **5. Assignment of Proceeding**

Liane M. Randolph is the assigned Commissioner and Sophia J. Park and Hazlyn Fortune are the assigned Administrative Law Judges in this proceeding.

### **Findings of Fact**

1. CTF provides discounted rates for advanced telecommunications services for qualifying schools; libraries; government-owned hospitals and health clinics; California Community Colleges; 2-1-1 referral providers; and Community-Based Organizations.
2. The Commission adopted, in D.15-07-007 the federal E-rate approach for cost allocation between eligible and ineligible services for CTF carriers that participate in the federal E-rate program.
3. All telecommunications carriers remit intra-state surcharges to the California Public Utilities Commission.
4. The CTF Administrative Committee's current nine-member board was established in D.02-04-059.
5. Commission Staff administers the California Teleconnect Fund program in coordination with the CTF Administrative Committee.
6. D.15-07-007 directed carriers to submit to the Communications Division Director a list of services that they provide within each California Teleconnect Fund Eligible Service category and their functional equivalents available to participating customers.
7. Issue #2 in this proceeding concerns methods to determine whether mobile data services for non-E-rate participants are the most cost-effective form of internet access.
8. The E-rate program will phase out support for "legacy services," including voice services by July 2019.

9. Broadband is available in most of California.
10. No entities have qualified for the voice exemption.
11. There is no evidence that a large number of CTF participants lack access to broadband.
12. In areas where broadband is available, there is no assurance that CTF funds for voice services are not merely used to support the routine administrative and operating costs of an entity.
13. Supporting voice services means that there are less funds available to support advanced telecommunications services.
14. CTF support for voice services is likely to increase as the E-rate program phases out its support.
15. The California Broadband Availability Map provides information regarding whether wireline broadband service is provided at a specific address but may overstate the availability of broadband within each census block.
16. The current list of eligible CTF services may not accurately reflect the changing industry and available mobile data services, or how CTF participants are using these services.
17. There is no compelling justification for CTF to favor one technology over another.
18. For E-rate participants, a mobile data service is CTF eligible only if the service is also approved for the E-rate discount.
19. A mobile broadband service may be the most cost-effective broadband service at a CTF participant's approved location.
20. Qualifying services provided at an offsite location other than the approved location may further a CTF participant's mission and mobile



broadband services may be the only form of broadband available for these services.

21. The information required in the Final Staff Proposal will enable Staff to make a determination as to whether at least 50 percent of a CBO's mission consists of qualifying services.

22. It is reasonable to review a CBO's administrative and fundraising hours to ensure that CTF discounts are used to support qualifying services rather than to subsidize administrative costs.

23. Inappropriately applying the California Teleconnect Fund discount to bundled telecommunications service offerings that include broadband and voice services will increase overall fund claims.

24. An enhanced California Teleconnect Fund website will be a conduit for providing updated information about the status of applications and claims.

### **Conclusions of Law**

1. Consistent with the E-rate program's phase out of its voice discount, CTF support for voice services should be discontinued as of July 1, 2019.

2. The goals of CTF are best served by focusing support on advanced telecommunications services.

3. The voice exemption should be eliminated upon adoption of this decision.

4. CTF support for mobile broadband service should be provided if the service is the most cost-effective means of broadband service available.

5. Mobile broadband services should be deemed cost-effective for a non-E-rate CTF participant if the participant demonstrates that no fixed broadband service is available at its approved location.

6. Self-certification of cost-effectiveness is inadequate to make a finding of cost-effectiveness.

7. The eligible CTF services list should be modified to include all mobile broadband services.

8. If a non-E-rate CTF participant meets all the CTF eligibility criteria and is providing qualifying services, the goals of CTF are furthered regardless of whether the entity is providing these qualifying services at a specific location approved in the application or at an additional offsite location.

9. A non-E-rate CTF participant that meets all the CTF eligibility criteria should be eligible to receive CTF support for mobile broadband services used at offsite locations (in addition to the approved location) so long as the participant demonstrates that these mobile broadband services are used to provide qualifying services, are the only means of broadband service available, and that these offsite locations are in California and serve the entity's intended communities.

10. Pub. Util. Code § 280 requires the Commission to develop, implement, and administer a program to advance universal service by providing discounted rates to community organizations, among other entities.

11. In D.15-07-007, the Commission provided a definition of a CTF-eligible CBO and adopted new CBO eligibility criteria and a new subcategory of health care/health services CBO.

12. The current CBO definition should be modified to align with the statutory intent and goals of the CTF program and to reflect the new CBO subcategory of health care/health services CBOs.

13. The Final Staff Proposal attached as Appendix A to this decision should be adopted.

14. All telecommunications carriers that sell telephone service to the public, in California, are required to assess and collect inter-state and intra-state surcharges from consumers.

15. Pub. Util. Code § 709 guides the provision of telecommunications in California.

16. Carriers that participate in the CTF program should have a way to separate out voice and broadband components for bundled service offerings so that they can apply program discounts properly.

17. Commission Staff, in accordance with Pub. Util. Code § 709, should gather accurate and detailed information from carriers to assist program applicants and participants in making informed choices about broadband services.

18. The Commission should adopt tools to more effectively and efficiently manage the CTF program by incorporating more technology and an electronic submission process into the program.

19. The Commission should balance its mandate to extend the CTF program to all eligible entities in California with the need to manage the overall size of the fund.

20. The Commission should prohibit the use of the CTF discount to support taxes, fees and surcharges effective July 1, 2020.

21. With the exception of the elimination of CTF support for taxes, fees, and surcharges, all program changes to the CTF adopted in today's decision should be effective July 1, 2019.

22. In determining the qualifications of persons who will serve as members of the CTF Administrative Committee, Pub. Util. Code § 271(a) requires the

Commission to consider the purpose of the program and attempt to achieve balanced public participation.

23. D.02-04-059 specifies that the CTF Administrative Committee should have an uneven number of members to prevent deadlocks.

24. The composition of the CTF Administrative Committee should not be changed at this time.

25. Commission Staff should be authorized to recommend removal and addition of seats on the CTF Administrative Committee if there are extended vacancies of a seat.

## **O R D E R**

**IT IS ORDERED** that:

1. The California Teleconnect Fund discount shall no longer apply to voice services effective July 1, 2019. The California Teleconnect Fund shall also eliminate the voice exemption process effective upon adoption of this Decision.

2. The California Teleconnect Fund eligible services list shall be modified to include all mobile broadband services. The California Teleconnect Fund will provide support for mobile broadband services if all California Teleconnect Fund eligibility criteria are met and at least one of the following two criteria are satisfied: (a) mobile broadband services are the most cost-effective broadband service available at the participant's onsite location, and/or (b) mobile broadband services are necessary for the participant to provide qualifying services at additional offsite locations that are within California and serve the entity's intended communities.

3. Mobile broadband services shall be deemed cost-effective and eligible for California Teleconnect Fund support if an entity demonstrates that fixed

broadband service is unavailable at its approved location. An entity shall make this showing by: demonstrating this status with the California Interactive Broadband Map, an attestation, and a letter from the nearest California Teleconnect Fund service provider denying fixed broadband service for that particular address. An E-rate participant may continue to provide documentation of the Federal Communication Commission's E-rate approval of the participant's mobile broadband services as evidence that it is the most cost-effective solution available. The applicant shall also identify each type of mobile broadband service for which it is seeking California Teleconnect Fund support.

4. Commission Communications Division Staff is authorized to work with the Commission's Information Technology Staff and/or Information Technology professionals to develop a platform to track technology usage and cost-effectiveness for community-based organization and other California Teleconnect Fund participants.

5. For purposes of the California Teleconnect Fund, a "community-based organization" is defined as follows:

A nongovernmental, California nonprofit corporation which itself directly serves individuals and families, provides benefits to the community, and offers one or more qualifying services without charge or at a minimal fee. The organization must offer services addressing the challenges and needs of populations impacted by the digital divide within a local geographic area in California and have its governing body drawn largely from the community it serves.

This definition is not intended to be a substitute for or replace the eligibility criteria for community-based organizations adopted in Decision 15-07-007 and other Commission decisions.

6. The Final Staff Proposal, to implement the requirement that qualifying services are at least fifty percent of a community-based organization's mission, attached as Appendix A to this decision, is adopted. Commission Staff may propose changes to the process to implement the fifty percent mission requirement via a Resolution.

7. All telecommunications carriers that do not participate in the federal E-rate program shall additionally be allowed to use their inter-state and intra-state surcharge allocation methodology to identify broadband and voice components in bundled service offerings when the methods provided for E-rate participants are not possible.

8. The California Teleconnect Fund discount shall be applied only to the broadband portion of bundled services.

9. Commission Communications Division Staff is authorized to develop a data request to gather information, provided on at least an annual basis, from California Teleconnect Fund participating carriers regarding key program aspects.

10. Commission Communications Division Staff is authorized to work with the Commission's Information Technology Staff and/or Information Technology professionals to develop a web-based portal for providing the data request to carriers.

11. Commission Communications Division Staff is authorized to work with the Commission's Information Technology staff to develop a web-based portal for managing California Teleconnect Fund applications and claims.

12. The California Teleconnect Fund discount shall not be used to reduce taxes, fees, and surcharges effective July 1, 2020. All other changes to the

California Teleconnect Fund program adopted in today's decision shall be effective July 1, 2019.

13. If there are extended vacancies (exceeding 90 days from the date of a meeting of the California Teleconnect Fund Administrative Committee) of a seat on the California Teleconnect Fund Administrative Committee, and the organizations or constituencies represented by that seat do not nominate individuals to fill that vacancy within that timeframe, the Commission's Executive Director may make an appointment to fill the seat or Commission Staff may propose, in a Resolution, removal of that seat and addition of another seat that represents other organizations or constituencies.

14. Rulemaking 13-01-010 is closed.

This order is effective today.

Dated April 25, 2019, at San Francisco, California.

MICHAEL PICKER  
President  
LIANE M. RANDOLPH  
MARTHA GUZMAN ACEVES  
CLIFFORD RECHTSCHAFFEN  
GENEVIEVE SHIROMA  
Commissioners

## APPENDIX A



**California Teleconnect Fund**  
**Final Staff Proposal: Qualifying Service Hours Test**

This Staff Proposal outlines the Qualifying Service Hours Test to help determine the eligibility of Community-Based Organizations (CBO) for the California Teleconnect Fund (CTF). The sections below include (a) definitions of relevant terms, (b) descriptions of the information that CBO applicants should include within their CTF application, and (c) the process that Staff will use to determine if a CBO's Qualifying Services constitute at least 50% of the organization's mission.

**Definitions**

**CBO Workforce:** All persons who work for the CBO, including full-time employees, part-time employees, interns, externs, term-contractors, volunteers, and pro bono workers.

- **Services:** The activities, benefits, or programs a CBO provides to members of the community. Services includes both Qualifying Services and non-Qualifying Services.
- **Qualifying Services:** Any of the following services—health care, job training, job placement, 2-1-1 referral and information services,<sup>1</sup> educational instruction, or a community technology program.<sup>2</sup>
  - **Community Technology Programs:** A program to provide the community training and/or access to technology and advanced communication services. Eligible Community Technology Programs must include the use of a CTF-eligible telecommunication service by community members.
  - **Educational Instruction:** Regular, ongoing, preschool or K-12 academic educational or instructional programs that can also include ESL and language education, literacy, job training, technology instructions and information on public benefit and social services programs eligibility and access.<sup>3</sup> Eligible CBO's that offer Educational Instruction must also make available to community members access to CTF-eligible telecommunication service.
  - **Job Placement:** A regular and ongoing Service to provide community members with assistance in obtaining employment, including activities related to job recruiting and placement. Eligible Job Placement Services must include the use of a CTF-eligible telecommunication service by community members.
  - **Job Training:** A regular and ongoing Service to provide community members with training or skill-building for the purpose of obtaining employment. Job Training services do not include a CBO's work to train its own CBO Workforce. The subject matter of eligible Job Training includes trade and vocational education and Community College curriculum but excludes training exceeding

---

<sup>1</sup> The provision of 2-1-1 referral and information services requires Commission authorization.

<sup>2</sup> D.15-07-007 at pages 64-65.

<sup>3</sup> D.15-07-007 at page 24.

the level of an Associate of Arts or equivalent degree from a California Community College. Eligible Job Training Services must include the use of a CTF-eligible telecommunication service by community members.

- **Regular and Ongoing:** An established, reoccurring, and consistent schedule.
- **Service Hours:** The number of hours a CBO Workforce works on average per month to provide a Service (including Qualifying Services and non-Qualifying Services) to the community.
- **Non-Service Hours:** Non-Service Hours equals a CBO's average monthly Management & General Hours plus its average monthly Fundraising Hours.<sup>4</sup> (Fundraising Hours are the number of hours a CBO Workforce works appealing for financial support for the CBO. Management & General Hours are the number of hours a CBO Workforce works on administrative and management tasks, excluding work to provide Services to the community.)
- **All Hours:** The sum of the average monthly Non-Service Hours and average monthly total Service Hours.

### **Application Requirements**

Within the CTF application, a CBO should describe in a narrative format its mission, goals, Services, and the communities it serves. The CBO should describe in detail each of the Services it provides to the community (including Qualifying Services and non-Qualifying Services). For each Service, the CBO should provide the information listed below under "Service Descriptions." In addition, the applicant should disclose the average monthly Non-Service Hours.

Service Descriptions: Service descriptions should provide detailed information on each Service in a narrative format. Service descriptions should include the data necessary for Staff to perform the Qualifying Service Hours Test. Service descriptions should include, at minimum, answers to the following questions for each Service:

1. Is the Service a Qualifying Service or a non-Qualifying Service?
2. To whom is the Service offered?
3. Where is the Service available (e.g., building address)?
4. When is the Service available (e.g., frequency, schedule, duration)?
5. How many Service Hours are attributable to the Service on average per month?

---

<sup>4</sup> Management & General Hours and Fundraising Hours are terms associated with a Tax-exempt organization's allocation of costs on the IRS Form 990. Refer to the 2017 Instructions for Form 990 Return of Organization Exempt From Income Tax, Department of the Treasury Internal Revenue Service, pages 41-43.

6. Does the Service utilize a telecommunication service (e.g., DSL, fiber broadband, satellite broadband, Internet access, etc.)? If so, which telecommunication service? Who uses the telecommunication service and for what purpose?
7. Does the Service utilize technology device(s) (e.g., desktop computers, tablets, etc.)? If so, which technology device(s)? Who uses the technology device(s) and for what purpose?
8. Provide any other pertinent documentation or information (e.g., brochures, websites, pictures, rules, or sign-in sheets) to further explain each Service.

### **Qualifying Service Hours Test**

The Qualifying Service Hours Test is a three-part test. The first step is to determine which Services are Qualifying Services and which Services are not Qualifying Services. The second step is to determine the percentage of total Service Hours that are dedicated to Qualifying Services. The third step is to evaluate Non-Service Hours as a percentage of All Hours.

Step One: Evaluate the Services descriptions to determine which of the Services are Qualifying Services.

Step Two: Compare the Services Hours associated with Qualifying Services to total Service Hours, as follows:

$$\frac{\textit{Service Hours for Qualifying Services}}{\textit{Total Service Hours}}$$

To successfully demonstrate that a CBO's Qualifying Services constitute at least 50% of the organization's mission, the Service Hours associated with Qualifying Services must equal at least 50% of the total Service Hours.

Step Three: Compare the Non-Service Hours to All Hours, as follows:

$$\frac{\textit{Non-Service Hours}}{\textit{All Hours}}$$

Non-Service Hours should be no more than 25% of All Hours. If an applicant's Non-Service Hours are between 25% and 50% of All Hours, Staff will further evaluate the CBO's operations to determine if the CBO's Services further the goals of the CTF program. However, if Non-Service Hours are more than 50% of All Hours, the CBO will not be eligible to participate in the CTF program.