

Mailed Date: August 28, 2007

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Program Management and Implementation Branch**

RESOLUTION T-17104
August 23, 2007

R E S O L U T I O N

Resolution T-17104. Approval of the California Teleconnect Fund Administrative Committee Budget for FY 2008-09 to Comply with the Requirements of Public Utilities Code Sections 270-281.

Summary

This resolution adopts the following budget for the California Teleconnect Fund Administrative Committee (CTF-AC):

(1) \$33,202,000 for fiscal year (FY) 2008-09

Background

The California Teleconnect Fund (CTF) was implemented under Decision (D.) 96-10-066 on October 25, 1996. In this decision, the Commission reaffirmed its commitment to universal service, and in accordance with state and federal directives, created the CTF to provide discounted rates for a family of telecommunications services for schools and libraries, government-owned health care providers and qualifying community based organizations.

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

On June 7, 2007 the CTF-AC submitted a letter request to the Commission's Executive Director seeking approval of a proposed budget of \$37.060 million for the July 1, 2008 through June 30, 2009 period. This budget request was filed in accordance with Paragraph 4.1 of the CTF-AC charter.

Notice/Protests

Notice of the AC's proposed budget letter request was published in the Commission's Daily Calendar of June 27, 2007. The Communications Division (CD) received no protest to the letter request.

Discussion

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

- The budget for FY 2008-09 in the amount of \$33,202,000.

Appendix A of this resolution shows the FY 2008-09 CTF budget as proposed by CD and by the CTF Administrative Committee in June 2007. The FY 2008-09 budget includes enough funds to pay for audits, state overhead, outreach expenses and committee expenses. Of CD's \$33.202 million proposed budget for FY 2008-09, \$31.242 million is for payments and interest for claims submitted by the carriers providing CTF discounted services, \$450,000 for financial, compliance and surcharge remittance audits, \$30,000 for banking fees, \$40,000 for Advisory Committee expenses, \$516,000 for CPUC Staff Costs, \$74,000 for inter-agency costs, \$50,000 for programming and maintaining the electronic and monitoring systems and \$800,000 for outreach/marketing.

CD's FY 2008-09 Budget recommendation differs from the CTF-AC's proposed budget by \$3.858 million. The entire difference is due to the amount budgeted for carriers' claims. The CTF-AC budgeted \$35 million for carriers' claims and the CD estimates \$31.142 million. The CD is using updated estimates and methodology as compared to that of the CTF-AC. Therefore, the CD believes that its estimates are more accurate.

The CD's budget recommendation for FY 2008-09 is significantly greater than the previous budget for FY 2007-08. The adopted budget for FY 2007-08 is \$25.057 million (Resolution T-17046 issued July 20, 2006). CD's budget recommendation for FY 2008-09

is \$33.202 million, which reflects an increase of 33% in total program costs. This \$8.145 million disparity is reconciled as such:

1. Nearly all of this increase is a direct result of higher carrier claims. Carrier claims are expected to grow from \$23 million to \$31.142 million. This \$8.142 million growth is attributable to:
 - a. A \$3.447 million upward adjustment made by the CD. This adjustment accounts for the underestimation of claims forecasted by carriers, rate adjustments, and the reverted year compensation.
 - b. A \$4.695 million increase in carriers' claims forecasts. The CD has contacted the major carriers to confirm their claims forecast. Although some of this increase is likely the result of higher rates and program expansion, the majority of this increase reflects the more comprehensive and realistic set of claims data from carriers.
2. CD expects to implement a state-wide outreach campaign aimed at expanding CTF participation. These plans called for a \$400,000 increase (relative to the FY 07-08 budget) to the outreach appropriation. However, there is no net impact on the budget because this increase is offset by a \$400,000 reduction in automation costs.

The forecasted claims do not reflect any potential increase in claims due to the expanded outreach and marketing. Nor does the forecast reflect any changes that may result from the Public Purpose Program OIR, R.06-05-028.

Notice of Availability and Comments

In compliance with PU Code Section 311(g), the Commission had served a hard copy of prior resolutions regarding CTF budgets on all telecommunications carriers and the parties of record in R. 95-01-020/I95-01-021. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, on July 24, 2007 the Communications Division e-mailed a notice letter informing telecommunications carriers serving CTF customers, members of the CTF-AC, and the parties of record in R. 95-01-020/I95-01-021 on the availability of this draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web-site, www.cpuc.ca.gov.

No comments were received by the Communications Division regarding this resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code Sections 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code Section 270(b) requires that the monies in CTF may only be disbursed pursuant to Sections 270-281 and upon appropriation in the annual Budget Act.
3. On June 7, 2007, the CTF-AC submitted their CTF Fiscal Year (FY) 2008-09 proposed budget of \$37.060 million, as set forth in Appendix A, to the Executive Director.
4. The Communications Division's proposed CTF Fiscal Year 2008-09 budget of \$33.202 million, as set forth in Appendix A, is reasonable and should be adopted.
5. Telecommunications carriers serving CTF customers, members of the CTF-AC, and the parties of record in R. 95-01-020/195-01-021 were informed of the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission web site, www.cpuc.ca.gov on July 24, 2007.
6. The Communications Division did not receive any comments on this resolution.

THEREFORE, IT IS ORDERED that:

1. The CTF FY 2008-09 budget of \$33,202,000 as set forth in Appendix A of this resolution is adopted.

Resolution T-17104
CD/AJC

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 23, 2007. The following Commissioners approved it:

/s/ PAUL CLANON

PAUL CLANON
Executive Director

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

Appendix A
California Teleconnect Fund
Public Programs :: Expense Budget (\$000s)
FY 2008-2009 :: July 1, 2008 through June 30, 2009

	FY 07-08 Adopted by Resolution T-17046	FY 08-09 Submitted by CTF-AC	FY 08-09 Proposed by CD	FY 08-09 Adopted
PROGRAM EXPENSES				
a. Carrier Claims	\$23,000	\$35,000	\$31,142	\$31,142
b. Interest for Untimely Payment	\$100	\$100	\$100	\$100
c. Administrative Committee-Per Diem	\$6	\$6	\$6	\$6
d. Administrative Committee-Travel and Others	\$25	\$25	\$25	\$25
e. Administrative Committee-Special Needs Accommodation	\$9	\$9	\$9	\$9
f. Audits	\$450	\$450	\$450	\$450
g. Banking Fee	\$30	\$30	\$30	\$30
h. Interagency Cost	\$0	\$74	\$74	\$74
i. CPUC Staff Costs	\$587	\$516	\$516	\$516
j. Programming and Document Storage	\$50	\$50	\$50	\$50
k. Outreach	\$400	\$800	\$800	\$800
l. Automation Implementation	\$400	\$0	\$0	\$0
m. Total Program Expenses (sum of a thru l)	\$25,057	\$37,060	\$33,202	\$33,202