

**California Teleconnect Fund Administrative Committee
Annual Report**

For the Period July 1, 2011 through June 30, 2017

Submitted

August 1, 2018

Executive Summary

The California Teleconnect Fund Administrative Committee (CTF-AC or Committee) hereby submits to the California Public Utilities Commission (CPUC or Commission) this annual report describing the Committee's activities for fiscal years (FY) 2011-12 through 2016-2017, pursuant to Public Utilities (P.U.) Code section 273(b). During these years, the CTF-AC reached out to CTF eligible entities to increase participation, provided input to the California Public Utilities Commission (CPUC) related to its resolutions, and advocated for the maintenance and/or expansion of CTF funding.

Background History

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

In Decision 02-04-059 (April of 2002) the CTF-AC was re-established with nine primary members. The new nine-member CTF-AC includes representatives of diverse constituencies interested in improving the access of underserved California communities to advanced telecommunications services. The roster of AC members is provided in Appendix A. The members represent the K-12 education sector; public libraries; public hospitals/clinics; rural clinics/telemedicine; consumer or community-based organizations involved in public access Internet; a local exchange carrier; the Division of Ratepayer Advocates; and deaf/hearing impaired or disabled communities.

The Commission's approval of Resolution T-16742 modified the CTF program rules in significant ways. The resolution expanded eligibility, specifically to community technology centers and hospital districts. It equalized the discount levels and services for all categories of eligible recipients, and specifically included Digital Subscriber Line (DSL) as an eligible service. The resolution also streamlined the application process so that applicants apply for CTF directly through the CPUC Communications Division (CD) rather than through the carrier. Additionally, carriers must now file annual estimates of anticipated program expenditures.

Senate Bill 1102 (Statutes of 2004, Chapter 227) added Section 884.5 to the Public Utilities Code. The section, which became operative on January 1, 2006, requires the Commission apply the CTF discount after applying the federal E-rate discount. As a result, CD released Administrative Letter 10B on June 1, 2006, which requires carriers to apply the CTF discounts as follows:

- (a) CTF participant with pending E-rate application – apply the statewide average E-rate discount before applying the CTF discount to CTF-eligible services until the customer presents the new E-rate discount to the carrier. The E-rate and CTF discounts will be trued-up.

- (b) CTF participant that has not filed for E-rate – apply the statewide average E-rate discount before applying the CTF discount to CTF-eligible services.
- (c) CTF participant that applied for E-rate discount, but denied – apply the 0% E-rate discount documented in the funding commitment letter and 50% CTF discount on CTF-eligible services.
- (d) CTF Participant that is a necessary small school as defined in Section 42283 of the Education Code – apply the 50% CTF discount to CTF-eligible services unless the customer presents the actual E-rate discount. In that case, apply the actual E-rate discount before applying the CTF discount to CTF-eligible services.
- (e) CTF Participant that has been approved for E-rate for the entire fiscal year, but the dollar amount granted is not sufficient to cover all the CTF-eligible services for the entire fiscal period – apply the actual E-rate discount documented in the funding commitment decision letter even if the E-rate funding has been depleted prior to the end of the fiscal period, before applying the 50% CTF discount to CTF-eligible services.

Senate Bill 1716 (Statutes of 2007, Chapter 70) amended certain subsections of Section 884.5 to change the exception for small necessary school to instead make the exception applicable to certain small school district, pursuant to Section 42280 of the Education Code.

In Decision 08-06-020, dated June 12, 2008, the Commission (1) expanded the CTF program to include community colleges, California Telehealth Network and non-profit CBOs providing 2-1-1- Information and Referral Services; (2) expanded the CTF-eligible services to include Internet access via PDA/cell phone, laptop card, or satellite/microwave frequency; (3) allowed broadband providers to provide discounted advanced services if those broadband providers partnered with an entity certificated by or registered with the Commission (i.e. a registered wireless service provider); (4) established the Office of CTF Outreach and Assistance; and (5) removed the CTF tariffing requirements for providers that offer CTF services on a detariffed or non-regulated basis. On November 20, 2008, CD released Administrative Letter No. 16 to implement certain changes set forth in Decision 08-06-020.

Summary of CTF-AC duties

According to Section 4.1 of the Charter of the CTF-AC, “the Committee shall act in an advisory capacity to the Commission, which shall have all policy and program decision-making authority.” The CTF-AC’s duties also include submission of a proposed CTF budget to CD before June 1 of each year. The proposed budget shall include estimated program expenditures and the Committee's projected expenses for the fiscal year (July 1 to June 30) of the following year. The Commission adopted the below budget resolutions during the report period:

- In Resolution T-17290 issued on September 2, 2010, the Commission adopted a budget of \$75.2 million for Fiscal Year (FY) 2011-12.
- In Resolution T-17333 issued on August 18, 2011, the Commission adopted a budget of \$92.2 million for Fiscal Year (FY) 2012-13.

- In Resolution T-17377 issued on October 11, 2012, the Commission adopted a budget of \$92.4 million for Fiscal Year (FY) 2013-14.
- In Resolution T-17414 issued on October 3, 2013, the Commission adopted a budget of \$107.8 million for Fiscal Year (FY) 2014-15.
- In Resolution T-17456 issued on November 6, 2014, the Commission adopted a budget of \$148 million for Fiscal Year (FY) 2015-16.
- In Resolution T-17496 issued on October 1, 2015, the Commission adopted a budget of \$148.8 million for Fiscal Year (FY) 2016-17.

It should also be noted that the loan from the CTF to the state General Fund was repaid, and the program will now rely on revenue from the CTF surcharge. Also, in 2012, Assembly Bill 1477 (AB 1477) Committee on Budget, amended the Budget Act of 2012 by revising various items of appropriation and made other changes in the Budget Act of 2012. It reduced the CTF appropriation for FY 2012-13 to \$77 million, which was projected to have expenses at approximately \$92 million. Commission staff worked with the Department of Finance (DOF) to seek supplemental budget authority.

In addition, the CTF-AC must submit a report to the Commission describing the Committee's activities during the prior fiscal year, on or before October 1 of each year, and advise the Commission regarding the development, implementation and administration of the CTF program.

Goals During the Report Period:

1. Provide input and information relative to the needs of outreach to the Community Based Organizations (CBOs) eligible segment and monitor the progress of outreach and marketing to this segment.
2. Provide input on problems, changes, and advances on technology issues for telecommunications/internet services particularly in underserved communities.
3. Continue to review claim disbursement dollars at all meetings and to assess trends that could be of concern to committee members relative to segment needs and the ability of the fund to support those needs.
4. Advise the CPUC in fiscal, strategic, tactical, technical, and operational items related to the CTF program.
5. Provide analysis and comments on proposed changes and modifications to the CTF program.
6. Monitor legislative, CPUC and FCC activities that may impact the CTF program.

Accomplishments During the Report Period:

1. Provided significant recommendations and input for Outreach efforts, specifically in the area of CBO, Non-Profit Healthcare.

2. Raised awareness of the need and role of broadband for our representative groups, and the importance of CTF as a funding mechanism for these services.
3. Advocated for the support and budgeting of the CTF program to meet program goals and objectives.
4. The CBO segment increased by 5,164 participants or 149% over this the report period and overall participation of all segments increased by 105%.
5. Contributed input to and discussion with CD staff for the development of the CTF OIR.
6. Provided input and recommendations on the CTF OIR. The CTF Administrative Committee requested and received permission from the Administrative Law Judge (ALJ) to submit comments on the Commission Staff's revised proposal of May 2014 for CTF reform. The Committee drafted and submitted opening comments in October 2014.
 - The CTF-AC made a number of recommendations to Commission Staff's report based on the below basic principles:
 - Keep the administration simple "Keep it Simple"
 - Major structural changes should be based upon and evaluated in relation to objective data and analysis
 - "Turn the ship slowly". Phase in new rules and evaluate the impacts before making sweeping changes to the program
 - Keep in mind target population that the fund serves

Significant Program Changes During Report Period

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| October 2012 | CPUC adopted Resolution T-17375 which increased the CTF surcharge from 0.079% to 0.59% effective December 1, 2012. |
| August 2014 | CPUC adopted Resolution T-17422 which increased the CTF surcharge from 0.59% to 0.93% effective October 1, 2014. |
| March 2015 | CPUC adopted Resolution T-17471 which increased the CTF surcharge from 0.93% to 1.08% effective June 1, 2015. |
| July 2015 | CPUC adopted Decision 15-07-007 which established restated program goals; created a new eligible subcategory and requirements for "Health Care / Health Service CBOs; set new eligibility criteria for participants, service providers and CTF services; established a discount cap for E-rate schools; and retained the percent discount structure. It also reduced CTF discounts on basic voice services from 50% to 25% starting in fiscal year 2016-17. |

April 2016 CPUC adopted Decision 16-04-021 which set a deadline for implementation of the discount cap for E-rate schools and established a process for exemption from the reduced support for voice services for those entities in unserved and underserved areas.

Changes in CTF Administrative Committee Representatives

There were a number of changes in primary committee representatives during the report period. The committee also has a significant number of vacant alternative committee representative positions, which the primary members are working to fill. As of June 30, 2017, the primary committee representatives are:

Sector	Primary Members	Affiliation
Education	Sonya Edwards	California Department of Education
Public Libraries	Jarrid Keller	Sacramento Public Library
Public Hospitals/Clinics	Calvin Chang	UC Davis Health System
Rural Clinics/Telemedicine	Vacant	
Consumer Organizations	Ana Montes	TURN
CBO Involved in Public Access Internet	Sean McLaughlin	Access Humboldt, CPBN
LECs	Jeffrey Mondon	AT&T
ORA	Enrique Gallardo	ORA
Deaf/Hearing Impaired or Disabled	Richard Mathews	

Issues and Concerns

1. Conflict of interest issues regarding the applicability and interpretation of California Government Code section 1090 prevented certain Committee members from voting on proposed budgets during this timeframe.
2. Federal E-rate program linkage continues to be a complex issue, especially with regard to reconciliation of telecommunication bills.
3. On-going funding of the program is a concern given state budget issues.
4. Outreach to all eligible entities continued to be a Committee concern. The Committee believes work is needed in the coming year once the new eligibility and recertification requirements are implemented.
5. There should be an adequate level of CD staffing to ensure the goals of the program are met for the work of audits, application and claim processing, and outreach.
6. Program automation deficiencies hinders CD's ability to provide information to ad-hoc requests from the Administrative Committee and thus impacts the Committee's ability to provide meaningful input to assist the Commission in the development, implementation and administration of the program.