# California LifeLine Program
# FY 2018/19 Budget Review



## ULTS Administrative Committee Meeting

## California Public Utilities Commission

**February 15, 2018**

# Presentation Overview

- Budget Process Overview

- FY18/19 California LifeLine Budget

# Budget Process

- July-December       - CD staff develops budget forecast
- January       - Governor's Budget gets submitted to Legislature
- March       - Administrative Committee submits Budget
- April-May       - CD updates estimates
- June       - Legislature enacts the Budget
- After June       - Commission approves program budgets

## LOCAL ASSISTANCE

- Consists of Carrier Claims

## STATE OPERATIONS

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

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# California LifeLine Budget – FY 2018/2019: $428,817,000

- Staff estimate represents a decrease of $201 million from FY 2017/18 budget of $630 million.

- The proposed change is primarily due to decrease in caseload than what was anticipated in the last proposed Budget for FY 2017/18.
  - Old caseload model in the last Budget (2017/18 May ECP) predicted the following:
    - 3.2 million participants by the end of FY 2017/18. (1.8 million participants as of December 31, 2017)
  - Revised caseload model for FY 2018/19 ECP predicts the following:
    - 1.8 million participants by the end of FY 2017/18, and
    - 1.75 million participants by the end of FY 2018/19.

# California LifeLine Budget – FY 2018/2019: $428,817,000

## Local Assistance

- Carriers Claims                                     $396.9 million
  - Includes Makeup Federal Subsidy of $8.2 million

## State Operations

- LifeLine Administrator                        $ 19.8 million
- State Printing/Mailing Services          $   7.5 million
- Audit Cost                                         $   1.0 million
- Other Costs                                       $   3.6 million

        **Total**                                    **$428.8 million**

# Historical Budget Information

*(dollars in thousands)*

| | FY 1516 Adopted Budget | FY 1617 Adopted Budget | FY 1718 Adopted Budget | FY 1819 CD staff proposed Budget |
|---|---|---|---|---|
| Local Assistance | $462,047 | $483,219 | $599,466 | $396,884 |
| State Operations | $21,482 | $25,874 | $30,588 | $31,933 |
| **Total Program Budget** | $483,529 | $483,219 | $630,054 | $428,817 |

# Budget Analysis – Claims $396,883,747

| | WIRELINE CLAIMS |
|---|---|
| $58,370,981 | Basic Subsidy Amount |
| | Estimates 303,979 wireline subscribers end of FY 2018-2019 |
| | Assumes $14.30 SSA (55% of AT&T's $26 rate) for FY 2018-2019 for months July 2018-December 2018. |
| | Assumes $14.85 SSA (55% of AT&T's $27 rate) for FY 2018-2019 for months January 2019-June 2019. |
| $601,337 | Admin Costs (monthly subscribers x $0.15)<br>$0.15 = average of admin charge paid in FY 2016-2017 for Wireline. |
| $481,070 | Connection/Conversion (average % of FY 2016-2017 new connection/conversion claimed to enrollment). |
| $3,247,220 | Taxes/Surcharges (average % of FY 2016-2017 of surcharges claimed to enrollment. |
| $62,700,608 | Total estimated FY 18-19 wireline carrier claims |

# Budget Analysis – Claims $396,883,747 cont.

| | WIRELESS CLAIMS |
|---|---|
| $251,939,043 | Basic Subsidy Amount |
| | Estimates 1,446,658 wireless subscribers end of FY 2018-2019 |
| | Assumes $14.30 SSA (55% of AT&T's $26 rate) for FY 2018-2019 for months July 2018-December 2018. |
| | Assumes $14.85 SSA (55% of AT&T's $27 rate) for FY 2018-2019 for months January 2019-June 2019. |
| $5,876,665 | Admin Costs (monthly subscribers x $0.34)<br>$0.34 = average of admin charge paid in FY 2016-2017 for Wireless. |
| $5,464,000 | Connection/Activation Charge (average of admin charge paid in FY 2016-2017 for Wireless). |
| $2,592,646 | Taxes/Surcharges (Monthly subscribers x 15%) |
| | Based on a average of city taxes & surcharges of 8% + program surcharges of 6.68%. |
| **$325,976,354** | **Total estimated FY 18-19 wireless carrier claims** |

# Budget Analysis – Claims $396,883,747 cont.

| | |
|---|---|
| Total Wireline Claims | $62,700,608 |
| Total Wireless Claims | $325,976,354 |
| Federal Makeup Subsidy:<br>Assumes affected participants of 73,935 would not qualify under the restrictive eligibility rules.<br>$9.25 x 73,935 x 12 months | $8,206,785 |
| **TOTAL ESTIMATED CA LIFELINE LOCAL ASSSITANCE FOR FY 1819** | **$396,883,747** |

**Thank you!**
**For Additional Information:**
**www.cpuc.ca.gov**
**www.califeline.com/en**