PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Télécommunications Division **RESOLUTION T-16877**
Public Programs Branch **October 28, 2004**

R E S O L U T I O N

Resolution T-16877. Approval Of Fiscal Year 2004-05 Recast and Fiscal Year 2005-06 Universal Lifeline Telephone Service Trust Administrative Committee Fund Budgets in Compliance with Public Utilities Code Sections 270(A)

Summary

This resolution adopts a recast Universal Lifeline Telephone Service (ULTS) Administrative Committee Fund budget of $251.619 million for fiscal year 2004-05 and a proposed ULTS Administrative Committee Fund budget of $271.769 million for fiscal year (FY) 2005-06.

Background

ULTS was implemented by the California Public Utilities Commission (CPUC or Commission) in 1984 pursuant to Public Utilities (PU) Code § 871 to provide discounted basic telephone services to qualifying low-income households. ULTS discounted services are provided by local exchange service providers, which, in turn, receive reimbursement from the ULTS fund net of payments from the federal Lifeline / Link-Up programs.

ULTS is funded by a surcharged assessed on consumers' intrastate telecommunications services. Prior to October 2001, a tax-empted trust was established for the receipts and disbursements of ULTS funds. In compliance with PU Code § 270 et seq., which were codified by the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677), the following events took place as of October 1, 2001:

- the State Treasury created a Universal Lifeline Telephone Trust Administrative Committee Fund (ULTSAC Fund) for the receipts and disbursements of ULTS funds; and
- the Commission created ULTSAC to advise the Commission regarding the development, implementation, and administration of the ULTS program.

Furthermore, § 270(b) requires that the monies in the ULTSAC Fund may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act. Since FY 2001-02, the ULTSAC Fund's expenditures have been authorized in the State's Annual Budget Act.

ULTSAC

The ULTSAC met on May 28, 2004, to discuss, among other issues, a proposed FY 2005-06 budget to be submitted to the Commission by June 1, 2004 in accordance with Paragraph 4.a.1 of the ULTSAC Charter. Six of the nine committee members were present and a quorum was declared. However, due to a potential conflict of interest, two committee members recused themselves from the discussion and the vote of the FY 2005-06 budget. A final proposed budget was approved by three of the remaining four committee members with one abstaining.

Notice/Protests

Copies of the proposed FY 2005-06 budget submitted by the ULTSAC were mailed to the Commission and parties on the service list of R.98-09-005. This proposed budget was duly noticed on the Commission's Daily Calendar on June 14, 2004 stating that any comments and / or protests must be made in writing and received by the Commission within 20 days from the posting date. This 20-day protest period has lapsed and no protests and / or comments have been received.

Discussion

This resolution adopts a recast ULTS AC Fund budget of $251.619 million for fiscal year (FY) 2004-05 and a proposed ULTS AC Fund budget of $271.769 million for FY 2005-06. The recast budget adjusts the adopted FY 2004-05 of $251.637 million in Resolution T-16795, dated December 18, 2003 to the amount of $251.619 million adopted for FY 2004-05 for the ULTS AC Fund in the Annual State Budget Act (Stats 2004, Chapter 208).

Article 5.4 of the ULTSAC Charter requires committee decisions to be made by majority vote of those members present as long as a quorum is present at the time of the vote. The FY 2005-06 proposed budget submitted to the Commission was approved without a majority vote of those members present at the May 28, 2004 meeting. Since this proposed budget was not approved by the majority of the ULTSAC, the Commission adopts a FY 2005-06 budget recommended by the Telecommunications Division (TD) as summarized and discussed below:

	FY 2005-06 Adopted Budget ($ in millions)
Carrier Payments	$255.000
Marketing and Call Center Contracts	$5.508
Other Program Costs	$8.000
Administrative Committee	$0.021
Audits	$1.200
Banking Fees	$0.050
CPUC Administrative Costs	$0.540
Interagency Costs	$1.400
Other Operating and Maintenance Expenses	$0.050
Total Program Expenses	$271.769

Except for the "Other Program Costs", itemized costs of the above budget are consistent with historical budget trends. TD projected Other Program Costs of $8 million for the implementation of an income documentation requirement set forth in the Federal Communications Commission's (FCC) Report and Order[1] (Lifeline/Link-Up Order) released on June 22, 2004. The Commission will address the implementation of the Lifeline/Link-Up Order in the very near future. Should our final decision in this matter necessitate a deficiency funding request, the Commission's Information and Management Services Division should promptly seek approval from the Department of Finance.

The above budget is reasonable and should be adopted.

Comments

In compliance with PU Code Section 311(g) copies of the Notice of Availability of the draft of this Resolution were mailed / e-mailed on September 28, 2004, to parties of record in R.98-09-005, ULTS claimants, and members of the ULTSAC advising them that this document is on the Commission's web site, www.cpuc.ca.gov, and is available for comments in accordance with PU Code Section 311(g).

[1] FCC 04-87.

On October 13, 2004, Pacific Bell, dba SBC California, filed comments on this Draft Resolution. SBC California asserted that the FY 2005-06 budget proposed by TD dramatically increased the CPUC staff costs without justification and allocated costs of the ULTSAC for only six meetings, which is in violation of the ULTSAC Charter requiring the Committee to meet monthly. SBC California recommended that the Commission deny TD's proposed budget until there is a factual examination into whether these costs are inconsistent with historical budget trends.

Contrary to SBC California assertions, the staff costs proposed by TD are consistent with the actual FY 2003-04 staff costs incurred by the Commission as demonstrated in Appendix A of this Resolution. Furthermore, the committee expense budget of $21,000 is consistent with FY 2002-03 and FY 2003-04 budgets that we adopted in Resolution T-16688 and Resolution T-16689. Therefore, the FY 2005-06 budget proposed by TD is consistent with historical budget trends.

Findings

1) In compliance with PU Code § 270 et seq., which were codified by the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677), the State Treasury created a Universal Lifeline Telephone Trust Administrative Committee Fund (ULTSAC Fund) for the receipts and disbursements of ULTSAC funds and the Commission created ULTSAC to advise the Commission regarding the development, implementation, and administration of the ULTS program as of October 1, 2001.

2) § 270(b) requires that the monies in the ULTSAC Fund may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act. Since FY 2001-02, the ULTSAC Fund's expenditures have been authorized in the State's Annual Budget Act.

3) In compliance with the chartered responsibility, on May 28, 2004, the ULTSAC held a monthly meeting to discuss a proposed budget for fiscal year (FY) 2005-06 to be submitted to the Commission by June 1, 2004. Due to a potential conflict of interest, two of the six attending committee members recused themselves from the discussion and the vote of the FY 2005-06 budget. A final proposed budget was approved by three committee members with one abstaining.

4) Article 5.4 of the ULTSAC Charter requires committee decisions to be made by majority vote of those members present as long as a quorum is present at the time of the vote. The FY 2005-06 proposed budget submitted to the Commission was

approved without a majority vote of those members present at the May 28, 2004 meeting.

5) The recast budget of $251.619 million for Fiscal Year 2004-05 should be adopted.

6) The Commission's Telecommunications Division (TD) recommends a budget of $271.769 million for expenses for the ULTSAC Fund for FY 2004-05. Itemized costs of this budget are attached as Appendix A.

7) TD's proposed budget is reasonable and should be adopted.

8) Copies of the Notice of Availability of the draft of this Resolution were mailed / e-mailed on September 28, 2004, to parties of record in R.98-09-005, ULTS claimants, and the committee members of the ULTSAC advising them that this document is on the Commission's web site, www.cpuc.ca.gov, and is available for comments in accordance with PU Code Section 311(g).

9) On October 13, 2004, Pacific Bell, dba SBC California, filed comments on this Draft Resolution. SBC California asserted that the FY 2005-06 budget proposed by TD dramatically increased the CPUC staff costs without justification and allocated costs of the ULTSAC for only six meetings, which is in violation of the ULTSAC Charter requiring the Committee to meet monthly. SBC California recommended that the Commission deny TD's proposed budget until there is a factual examination into whether these costs are inconsistent with historical budget trends.

10) Contrary to SBC California assertions, the staff costs proposed by TD are consistent with the actual FY 2003-04 staff costs incurred by the Commission as demonstrated in Appendix A of this Resolution. Furthermore, the committee expense budget of $21,000 is consistent with FY 2002-03 and FY 2003-04 budgets that we adopted in Resolution T-16688 and Resolution T-16689. Therefore, the FY 2005-06 budget proposed by TD is consistent with historical budget trends.

THEREFORE, IT IS ORDERED that:

1) This resolution adopts a recast Universal Lifeline Telephone Service (ULTS) Administrative Committee Fund budget of $251.619 million for fiscal year 2004-05 and a proposed ULTS Administrative Committee Fund budget of $271.769 million for fiscal year (FY) 2005-06, as set forth in Appendix A of this resolution.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 28, 2004. The following Commissioners approved it:

/s/ STEVE LARSON
STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

APPENDIX A

T16877 Notice letter for ULTS budget resolution

Universal Lifeline Telephone Service
Budget Expenditures for Fiscal Year 2005-06
(July 1, 2005- June 30, 2006)
(Dollars in Thousands)

Line Number	PROGRAM EXPENSES	Actual Fiscal Year 2003-04[1]	Adopted Recast Fiscal Year 2004-05	Telecommunications Division Proposed Fiscal Year 2005-06	Adopted Fiscal Year 2005-06
1	Carrier Claims	$ 238,537	$ 242,000	$ 255,000	$ 255,000 [2]
2	Other Program Services-Marketing/Call Center	4,587	5,758	5,508	5,508 [3]
3	Other Program Payments			8,000	8,000 [4]
4	Total Program Expenses	243,124	247,758	268,508	268,508
5	Administrative Committee Expenses	8	3	21	21 [5]
6	Financial Audit		100	100	100
7	Compliance Audit		500	300	300
8	Surcharge Remittance Audit		600	400	400
9	Claim Audit		900	400	400
10	Total Audits		2,100	1,200	1,200
11	Banking Fee	1	-	50	50
12	InterAgency Cost	834	1,378	1,400	1,400 [6]
13	CPUC Staff Costs	437	252	540	540 [7]
14	Other Operating Expenses	148	128	50	50 [8]
15	Total Other Expenses	1,420	1,758	2,040	2,040
16	**Total Program Expenses**	$ 244,552	$ 251,619 [10]	$ 271,769	$ 271,769

1 Based on the Certification of Year-end Financial Reports for Fiscal Year ending June 30, 2004 submitted on August 16, 2004 to the State Controller
2 Based upon estimate provided by carriers who file ULTS claims
3 Marketing and Call Center contracts with RHA Consultants, Inc.
4 Other Program Payments represents the estimated costs to meet the requirements in proposed changes in Federal Lifeline program.
5 Pursuant to D.02-04-059, per diem and other costs are authorized for six meetings for members attendance.
6 Costs for lockbox.
7 Refer to pro-rata costs allocated to state service agencies, e.g. DGS, State Personnel Board
8 This represents CPUC ULTS staff and administrative costs
9 This represents for SQL programming and maintaining the electronic filing and monitoring system.
10 Recast Budget reflects the amount adopted in the Annual State Budget Act (Stat. 2004, Chapter 208)