Minutes of CHCF-B Administrative Committee (AC)
February 16, 2011

Venue
California Public Utilities Commission
505 Van Ness Ave., Room 3212
San Francisco, CA 94102

Teleconference Location
Lemon Grove City Hall – Conference Room
3232 Main St
Lemon Grove, CA 91945

Attendees
Primary Members
Robert Lehman, Chairman
Mike Foreman, AT&T
Charlie Born, Frontier Communications
Via teleconference: Judith Walters – Heartland Coalition

Liaisons
Beverly Sligh, CPUC, Fiscal Office
Mary Evans, CPUC, Public Advisor's Office

Others
CPUC Communications Division - Eric Van Wambeke, Larry Hirsch

The meeting was called to order at 10:39 am by Robert Lehman.

1. **Introductions**
   All attendees introduced themselves.

2. **Public Comments** – None.

3. **Review and Approval of Minutes** of the Previous October 27, 2010 meeting
   The CHCF-B AC deferred approval of the draft minutes of the October 27, 2010 until the next meeting as Alex Koskinen's draft minutes were not available.

4. **Liaison Staff Reports**
   a. **Fiscal Report**
   Beverly Sligh from the Fiscal Office provided a statement of operations which included year to date numbers for the prior fiscal year and the year to date for the current fiscal year. There were some questions on expenditures. The recent balance in the CHCF-B fund was shown to be over $100 million.
   b. **Legal report** – No report.

c. **Public Advisor's report** – No report.

5. **Other Administrative Matters**

   a. **Budget Update –**
   Larry Hirsch discussed the fund condition and that there are some differences in various reports. Because of the delay in adopting a budget, there were no claims paid for a while. There is likely a backlog in claims and this will be checked. There needs to be a projection of claims and the fund should not over collect. There will be a follow up and the surcharge should be reduced to better match revenues with expenses. Of the $75 million loan to the general fund, $59 million has been transferred. The remaining $16 should be transferred soon. The loan is scheduled to be paid pack but the state will ask for an extension on repayment.

   b. **CHCF-B proceeding update** – There will be a series of Public Participation Hearings in California at seven locations with hearings at 2 pm and 7 p.m. at each location. The information gathered at the PPH will be used in determining possible changes to the definition of basic telephone service. After the PPH information about the hearings will be reported at a future meeting.

   The CHCF-B fund is scheduled to sunset on January 1, 2012. SB-3 which is pending would extend the program by a year. It is unclear whether Proposition 26 would apply to the CHCF-B surcharge as a tax requiring a two-thirds majority. Although the CPUC legal department believes that Proposition 26 would not apply, it has not been officially determined yet. Since the proposition applies to raising taxes, if the surcharge is lowered it may be difficult to raise it in the future if it is determined that the surcharge is subject to Proposition 26.

6. **Surcharge Rate Discussion**
   The current rate of 0.45% over-collects revenue for the fund. Larry Hirsch estimates that the surcharge rate should be 0.32% or 0.33% to match the revenues with the expenses.

7. **Announcements** – None

8. **New agenda items for next meeting**

9. **Date and Time for future meeting:**
   Wednesday, May 11, 2011 at 10:30am

On a motion by Michael Foreman with a second by Judith Walters, the meeting was adjourned at 11:34 am by a unanimous roll call vote
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Minutes were submitted by Larry Hirsch