California High Cost Fund-B Administrative Committee (CHCF-B-AC)

October 1, 2020

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California Public Utilities Commission
505 Van Ness; 5th Floor
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CHCF-B ANNUAL REPORT-
2019-20

This CHCF-B Annual Report for 2019-20 is submitted to the California Public Utilities Commission by the CHCF-B-AC in compliance with California Public Utilities Code Section 273(b).

INTRODUCTION

The California High Cost Fund-B (CHCF-B) provides subsidies to carriers of last resort (COLRs) for providing basic local telephone service to residential customers in high-cost areas that are currently served by AT&T California and Frontier Communications of California. The purpose of the subsidies is to keep basic telephone service affordable and to meet the Commission's universal service goal.

The CHCF-B-AC's purpose is to function as an advisory board to advise the Commission regarding the development, implementation, and administration of the California High Cost Fund-B (CHCF-B). The Committee discussed the program budget, potential impacts of new requirements to address wildfires and disasters, and Committee charter issues related to Committee membership and the frequency of Committee meetings.

In D.14-06-008, the Commission adopted methodologies and algorithms necessary to remap 1990 households from their 1990 Census Block Groups (CBGs) to CBGs based on the more recent 2010 census which resulted in changes to the level of B-fund support payments.

CHCF-B FUND BALANCE

Due to high CHCF-B account balances and continually decreasing claims, the CHCF-B customer surcharge was reduced on March 24, 2011 from 0.45% to 0.30%. It was reduced again, effective February 1, 2014, in Resolution T-17417, to 0.00%. The Fund balance as of the end of FY 2019-20 was $ $97,195,000 [1]. At the end of FY 2018-19 the Fund balance was $106,376,000. Fund balances may increase when loans are repaid, as noted in the next section.

[1] All fund balance amounts have been rounded to the nearest thousand

CHCF-B FUND LOANS

Between October 2008 and July 2020 the State of California General Fund borrowed a total of $161 million from the CHCF-B as a means of addressing the State's fiscal crisis. Some of these loans, totaling $75 million, were repaid with interest June 30, 2014. Two more of the loans, totaling $59 million from the CHCF-B to the State's General Fund (one of $35 million, the other of $24 million) were repaid on December 14, 2018, along with interest of $13,911,106.

The outstanding loans total $27.4 million. $10 million was transferred from the CHCF-B Fund on June 26, 2015, to the Railroad Accident Prevention and Response Fund (RAPR). Repayment is expected June 30, 2022. Another $10 million loan was made in late June 2016, also to RAPR. Repayment of this loan is expected on June 30, 2023. $7.4 million was transferred to the Safety Energy Infrastructure and Excavation Fund on March 6, 2018. Repayment of this loan is expected June 30, 2021. In FY 2020-21, the CHCF-B is extending a loan of $60 million to the General Fund. The loan will be repaid in two payments of $30 million in FY 2023-24 and 2024-25

CARRIER CLAIM PAYMENTS

Carrier claim payments (Local Assistance), the Fund's most significant variable expense, were $11,814,924[2] in FY 2019-20 and budgeted to be $20,777,000 for FY 2020-21. State operations actual expenses were $336,000, including encumbrances, for FY 2019-20 and are budgeted to be $1,535,000 for FY 2020-21. Total program budgeted expenditures for FY 2020-2021 are $22,312,000 million as summarized in the table below.

California High Cost Fund-B
($ in thousands)

	FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21
Expense Items	Appropriation, as adjusted, in Enacted Budget [1]	Actuals [2]	Appropriation, as adjusted, in Enacted Budget [3]	Actuals [4]	Appropriation, as adjusted, in Enacted Budget [5]	Actuals [6]	Appropriation, in Enacted Budget [5]
State Operations	$ 1,553	$ 317	$ 1,556	$ 276	$ 1,535	$ 336	$ 1,535
Local Assistance	$ 20,777	$ 14,728	$ 20,777	$ 10,537	$ 20,777	$ 11,815	$ 20,777
TOTALS	**$ 22,330**	**$ 15,045**	**$ 22,333**	**$ 10,813**	**$ 22,312**	**$ 12,151**	**$ 22,312**

Reference

1. http://www.ebudget.ca.gov/2018-19/pdf/GovernorsBudget/8000/8660.pdf - middle column
2. http://www.ebudget.ca.gov/2019-20/pdf/GovernorsBudget/8000/8660FCS.pdf
3. http://www.ebudget.ca.gov/2019-20/pdf/Enacted/GovernorsBudget/8000/8660RWA.pdf
4. http://www.ebudget.ca.gov/2020-21/pdf/GovernorsBudget/8000/8660RWA.pdf
5. http://www.ebudget.ca.gov/2020-21/pdf/Enacted/GovernorsBudget/8000/8660RWA.pdf
6. State Operations is actuals as of 7/22/2020 and includes encumbrances. Local Assistance is actual claims as of 9/24/20, with the exception of May and June which include estimated claims for 1 service provider.

SUPPORTED LINES

Total supported lines as of December 31, 2019, were 83,016 across 57 counties. The number of total supported lines continues to decrease as demand for landline subscriptions continues to decline from its peak in 2000. The recent trend is shown below:

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[2] This number includes estimated amounts for AT&T's May and June 2020 claims. The remainder is actual claims.

	CHCF-B		
Supported Lines December 31, 2016	Supported Lines December 31, 2017	Supported Lines December 31, 2018	Supported Lines December 31, 2019
126,628	106,743	96,351	83,016

With supported lines declining 34% since just 2016 and actual Local Assistance expenditures declining 20% compared to FY 2017-18 it is time to consider adjusting budget appropriations going forward. Currently, actual expenditures are about 46% of the budget appropriation.

ATTACHMENTS

Finally, this report includes the CHCF-B-AC-adopted minutes of the Administrative Committee meetings for:

- July 11, 2019 - Adopted
- August 29, 2019 - Adopted
- November 21, 2019 – Adopted
- February 20, 2020 – Adopted
- May 19, 2020 - Adopted

Sincerely,

Patrick Hoglund

Patrick E. Hoglund, P.E., Chairperson
CHCF-B-Administrative Committee

cc: Michael Foreman, AT&T
Charlie Born, Frontier Communications
Commissioner Marybel Batjer
Commissioner Martha Guzman-Aceves
Commissioner Liane Randolph
Commissioner Clifford Rechtschaffen
Commissioner Genevieve Shiroma
Sindy Yun, Legal Division
Michelle Morales, Administrative Services Division
Felix Robles, Communications Division

Attachments

Minutes of CHCF-B Administrative Committee (AC) Meeting
July 11, 2019 at 11:00 am

Venue
California Public Utilities Commission
505 Van Ness Ave., Room 3204
San Francisco, CA 94102

Attendees
Primary Members
Patrick Hoglund, CPUC – Public Advocates Office
Michael Foreman, AT&T
Brenda Clark, (Possible Alternate) AT&T
Charlie Born, Frontier Communications

Liaisons
Tom Laxton, CPUC – Communications Division
Michelle Morales, CPUC – Fiscal Office

Others
Risa Hernandez – Communications Division
Felix Robles, CPUC – Communications Division
Sindy Yun, CPUC – Legal Division

1. Introductions

2. Announcements

No announcements.

3. Public Comments – None

4. Review and Approval of Minutes

Patrick Hoglund noted that his name appeared instead of Laura Roman's for item 4 in the February 21, 2019 meeting minutes. Michael Forman and Charlie Born moved to approve and adopt the February 21st minutes.

5. Liaison Staff Reports

a. Fiscal Report

Michelle noted that next year's reports starting in July 2020 will not have a footnote. There is about 8 years of reserve funds. MTS surcharges from prior years still trickle in. Actual expenditures remain substantially less than what is approved in the budget.

b. Legal Report

No legal report.

c. Communications Division

Nothing to report.

6. Other Administration Matters

a. October 1st is the deadline for the annual report. Patrick Hoglund will draft and run the report by CD before submitting.

7. New agenda items for next meetings

a. Update on the status of the Annual Report

8. Date and Time for the next meeting:

a. The next meeting will be held on Thursday, August 29, 2019 from 11:00 am to 12:00 pm;

c. The meeting was adjourned at 11:23 am.

Minutes of CHCF-B Administrative Committee (AC) Meeting
August 29, 2019 at 11:00 am

Venue
California Public Utilities Commission
505 Van Ness Ave., Room 3204
San Francisco, CA 94102

Attendees
Primary Members
Patrick Hoglund, CPUC – Public Advocates Office
Michael Foreman, AT&T (via telephone)
Brenda Clark, AT&T
Charlie Born, Frontier Communications
Amy Warshauer, Frontier Communications (via telephone)

Liaisons
Michelle Morales, CPUC – Fiscal Office

Others
Risa Hernandez, CPUC – Communications Division
Felix Robles, CPUC – Communications Division
Danny Tse, CPUC – Communications Division
Lalaine Semana, CPUC – Fiscal Office
Sindy Yun, CPUC – Legal Division
Shirley Alvarado – Intern for Brenda Clark

1. Introductions
Prior to the introductions, there was a short discussion on legal requirements for primary and alternate positions for the Committee.

2. Announcements

No announcements.

3. Public Comments – None

4. Review and Approval of Minutes
No change was made to the July 11th, 2019 meeting minutes. Patrick Hoglund made a motion to approve and adopt the meeting minutes. Charlie Born seconded the motion to approve and adopt the July 11th minutes.

5. Liaison Staff Reports
a. Fiscal Report
Michelle noted that there were not many changes in the Fiscal Report. Charlie Born had question regarding the information in the Fiscal Report vs. Annual Report. Brenda Clark had questions on loans and how interest was being generated. Felix Robles had question on outstanding loans, with Michelle providing clarification on the number of loans involved. Charlie Born asked whether an annual breakdown by recipient on CHCF-B claims can be provided; Michelle will provide such information in future reports.

b. Legal Report
Discussion on formalizing legal requirements for primary and alternate positions for the Committee. Sindy Yun described nomination process that involves the submission of a resumé to the Executive Director of the Commission. The Administrative Committee will

submit the nomination, along with the resumé, to the Executive Director. Felix Robles will prepare the letter of nomination.

c. Communications Division
Felix Robles informed the Committee on the departure of Tom Laxton in September and that Danny Tse will be his replacement for the near future.

6. Other Administration Matters

a. Patrick Hoglund reviewed and discussed the 18-19 Annual Report, including the inclusion of all of the name of the Committee members. Charlie Born asked if the CHCF-B presentation made by Mike Amato to the Commissioners last year (May 31) was mentioned in the 17-18 CHCF-B annual report that we issued on 3/1/2019. Felix Robles confirmed later that there was no mention of such presentation. Charlie Born made a motion to approve and adopt the Annual Report; Brenda Clark seconded the motion.

7. New agenda items for next meetings

a. No new legislation pending.

8. Date and Time for the next meeting:

a. The next meeting will be held on Thursday, November 21, 2019 from 11:00 am to 12:00 pm;
b. The meeting was adjourned at 11:38 am.

Minutes of CHCF-B Administrative Committee (AC) Meeting
November 21, 2019 at 11:00 am

Venue
California Public Utilities Commission
505 Van Ness Ave., Room 3204
San Francisco, CA 94102

Attendees
Primary Members
Patrick Hoglund, CPUC – Public Advocates Office
Michael Foreman, AT&T
Charlie Born, Frontier Communications (via telephone)
Amy Warshauer, Frontier Communications (via telephone)

Liaisons
Lalaine Semana, CPUC – Fiscal Office

Others
Risa Hernandez, CPUC – Communications Division
Felix Robles, CPUC – Communications Division
Hannah Steiner, CPUC – Communications Division
Danny Tse, CPUC – Communications Division
Sindy Yun, CPUC – Legal Division

2. Introductions

Prior to the introductions, Lalaine Semana introduced herself to the other members of the Administrative Committee.

2. Announcements

No announcements.

3. Public Comments – None

4. Review and Approval of Minutes

No change was made to the July 11th, 2019 meeting minutes. Patrick Hoglund made a motion to approve and adopt the meeting minutes. Michael Foreman and Charlie Born seconded the motion to approve and adopt the July 11th minutes.

5. Liaison Staff Reports

a. Fiscal Report

Lalaine distributed copies of the Quarterly Fiscal Report and discussed the data. Felix Robles had a question on outstanding loans, with Lalaine providing clarification on interest accrued upon loan repayment. Michael and Sindy Yun inquired about the CHCF-B fund balance and Felix explained that the current fund balance should cover approximately four years' of CHCF-B claims which have been decreasing. Lalaine will provide an update on the fund balance at the next CHCF-B AC meeting.

b. Legal Report

Discussion on use of CHCF-B funds for other purposes. Michael indicated that CHCF-B funds should only be used for purposes associated with the program. Charlie added that any change to how CHCF-B funds are used will require changes in legislation.

c. Communications Division

Felix informed the Committee on the departure of Tom Laxton from the Commission to the San Francisco Fire Department, introduced Hannah Steiner as the new meeting coordinator, and Danny Tse will be processing the monthly CHCF-B claims for the near future.

6. Other Administration Matters

a. There was a discussion on resizing the approved budget for the CHCF-B program. Felix informed that any decrease in the budget will require the submission of a budget change proposal, which are time consuming. Patrick indicated that having the existing budget does not hurt the CHCF-B program. Lalaine indicates that any change to the program budget will affect the annual appropriation, and Felix indicated that he is aware of the possible effects.

7. New agenda items for next meetings

a. No new legislation pending.

8. Date and Time for the next meeting:

a. The next meeting will be held on Thursday, February 20, 2020 at 11:00 am

b. The meeting was adjourned at 12:00 pm.

Minutes of CHCF-B Administrative Committee (AC) Meeting
February 20, 2020 at 11:00 am

Venue
California Public Utilities Commission
505 Van Ness Ave., Room 3204
San Francisco, CA 94102

Attendees
Primary Members
Patrick Hoglund, CPUC – Public Advocates Office
Michael Foreman, AT&T
Charlie Born, Frontier Communications (via telephone)

Liaisons
Lalaine Semana, CPUC – Fiscal Office

Others
Felix Robles, CPUC – Communications Division
Dorris Chow, CPUC – Communications Division (via telephone)
Nancy Lee, CPUC – Communications Division
Hannah Steiner, CPUC – Communications Division
Danny Tse, CPUC – Communications Division
Sindy Yun, CPUC – Legal Division

3. Introductions

2. Announcements

Patrick announced that his alternate, Laura Roman, has moved on to other endeavors.

3. Public Comments – None

4. Review and Approval of Minutes

No change was made to the November 21st, 2019 meeting minutes. Patrick made a motion to approve and adopt the meeting minutes. Michael Foreman seconded the motion to approve and adopt the November 21st, 2019 meeting minutes.

Patrick requested adding the 2018-2019 CHCF-B Administrative Committee (AC) meeting minutes and 2017-2018 Annual Reports to the Commission's internet website. Felix directed Hannah and Danny to locate any unposted meeting minutes and annual reports and post them on the Commission's CHCF-B AC page.

5. Liaison Staff Reports

a. Fiscal Services Report

Lalaine distributed copies of the quarterly fiscal report and discussed the data, reporting that, as of February 20, 2020, there is a $99 million cash balance for the program. In addition, Lalaine informed the administrative committee that two current appropriations from 2017 are ending at the end of June 2020, the end of the current fiscal year. Felix asked Lalaine how much the CHCF-B fund will lose if the two appropriations are not used; Lalaine informed the committee that approximately $7 million will be lost if the two appropriations are not spent before the end of the June 2020. However, this has no effect on the current program budget.

b. Legal Division Report

Sindy Yun informed the Committee that Senate Bill (SB) 1058 was introduced to revise the CHCF-B fund statute, in addition to proposed amendments to Section 233, 276, and 882 of the Public Utilities Code, for other universal service programs not originally intended by the

CHCF-B fund. Charlie (Frontier) remarked that he will be seeking legal consult in regard to the proposed Senate bill, while Michael (AT&T) expressed that he is troubled by the potential for cross transfer of funds. Both Charlie and Michael indicated that CHCF-B funds should only be used for purposes associated with the program.

c. Communications Division Report

Felix informed the Committee that the Communications Division will send out letters to CHCF-B claimants in March 2020, requesting for claim projections for fiscal year 2021-2022, with a due date of May 1, 2020.

6. Other Administration Matters

a. Charlie requested a more detailed explanation on the projected surplus with the CHCF-B fund, with Lalaine providing further explanation involving the projected surplus and outstanding loans.

7. New agenda items for next meetings

a. Further discussion on Senate Bill SB-1058.

8. Date and Time for the next meeting:

a. The next meeting will be held on Wednesday, May 20, 2020 at 11:00 am
b. The meeting was adjourned at 11:42 pm.

Minutes of CHCF-B Administrative Committee (AC) Meeting
May 20, 2020 at 11:00 am

Venue
As authorized by Governor Newsom's Executive Order, N-29-20, dated March 17, 2020, in order to minimize the spread of the COVID-19 virus the meeting will be held via teleconferencing with members of the CHCF-B AC attending from separate remote locations. There is no physical location of the meeting open to the public. The public is invited to call in and provide public comments during the meeting.

Telephone Conference Phone Bridge:
Access: (877) 692-8578
Participant Code: 7035345

Attendees
Primary Members
Patrick Hoglund, CPUC – Public Advocates Office
Michael Foreman, AT&T
Charlie Born, Frontier Communications

Liaisons
Lalaine Semana, CPUC – Fiscal Office

Others
Felix Robles, CPUC – Communications Division
Hannah Steiner, CPUC – Communications Division
Danny Tse, CPUC – Communications Division
Nancy Lee, CPUC – Communications Division
Sindy Yun, CPUC – Legal Division
Ashnita Lal, CPUC – Fiscal Office

Minutes:

4. Introductions - Patrick Hoglund
Attendees introduced themselves.

2. Announcements
No announcement.

3. Public Comments – None

4. Review and Approval of Minutes
The February 20th, 2020 meeting minutes remained unchanged. Patrick made a motion to approve and adopt the meeting minutes. Michael Foreman seconded the motion to approve and adopt the February 20th, 2020 meeting minutes.

5. Liaison Staff Reports
a. Fiscal Services Report
Lalaine presented the quarterly fiscal report, indicating that, as of May 18, 2020, there is a $98,361,433 program cash balance. Lalaine reviewed the reversion dates on the Report 6 Fund 0470. Lalaine also introduced a new proposed CHCF-B Report to the Committee that compared CHCF-B fund with data from the previous three fiscal years. The Committee found the proposed report useful and Lalaine will add that report for future meetings.

Michael Foreman asked about the note on the report that CHCF-B fund will loan $60 million to the General Fund in the next fiscal year. Lalaine said that this is a new loan that will come out of the fund in FY 2020/21 in addition to the $27 million outstanding interfund loans we currently have. Lalaine briefed us on the new expected repayment dates on the current interfund loans, with the last expected repayment date on June 30th, 2023.

b. Legal Division Report
Sindy Yun reminded the Committee that Conflict of Interest Clearance (Form 700) was due on April 1, 2020. If the form has not yet been submitted, please contact Sindy. Senate Bill (SB) 1058 has been amended, and there is no direct effect tied to this program.

c. Communications Division Report
Felix had nothing to report.

6. Other Administration Matters

2021 – 2022 budget recommendations:
Hannah Steiner presented the proposed budget report. Her recommendation was to keep the appropriation the same as the proposed budget for FY 2020-21. Claims have declined so we do not have to request a higher appropriation. No need to adjust the appropriation because once you decrease it, it is difficult to ask for an increase. Additionally, the changes being considered in the proceeding justify retaining the remaining appropriation, and there are no benefits by decreasing the appropriation at this time. Carriers are not allowed to vote on the budget, therefore making Patrick Hoglund the only member on the Committee allowed to vote on the proposed budget. Patrick Hoglund voted to accept the proposed budget.

7. Senate Bill SB-1058

As stated above in the Legal Division Report, Senate Bill (SB) 1058 has been amended, no direct effect tied to this program.

8. COVID-19 Issues

Michael Foreman will defer the COVID-19 topic for the next meeting with emphasis on the updates of offering additional broadband to the customers, especially to the students due to COVID-19.

7. New agenda items for next meetings

COVID-19 Issues

8. Date and Time for the next meeting:

a. The next meeting will be held on Thursday, August 13, 2020 at 11:00 am via WebEx if the Shelter-in-Place order has not been lifted.

b. The meeting was adjourned at 11:36 am.