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Decision 16-04-021 April 21, 2016

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Conduct  
a Comprehensive Examination of the  
California Teleconnect Fund.

Rulemaking 13-01-010  
(Filed January 24, 2013)

**DECISION MODIFYING DECISION 15-07-007, IMPLEMENTING E-RATE  
CAP, AND ADOPTING PROCESS FOR THE REDUCED VOICE  
DISCOUNT EXEMPTION**

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**DECISION MODIFYING DECISION 15-07-007, IMPLEMENTING  
E-RATE CAP, AND ADOPTING PROCESS FOR THE REDUCED  
VOICE DISCOUNT EXEMPTION**

**Summary**

This decision modifies Decision (D.) 15-07-007, which resolved Phase 1 and Phase 2 issues in Rulemaking (R.) 13-01-010, the California Teleconnect Fund (CTF) Rulemaking. Specifically, this decision sets a deadline for carriers to implement a cap for E-rate schools based on the federal E-rate discount, sets the effective date of the cap, and specifies how the cap applies to voice services.

This decision also resolves the Phase 3 issue regarding the process for eligible schools, libraries, government-owned and operated health care facilities, and Critical Access Hospitals in unserved or underserved areas to seek exemption from reduced support for voice services. This decision determines that community-based organizations (CBOs) and community colleges should also be eligible for the exemption.

**1. Background**

On January 24, 2013, the Commission opened Rulemaking (R.) 13-01-010 to undertake a comprehensive examination of the California Teleconnect Fund (CTF) program.

On November 5, 2013, the assigned Commissioner issued a Scoping Memo and Ruling dividing the proceeding into three phases: Phase 1 (Restatement of Goals), Phase 2 (Program Design), and Phase 3 (Program Implementation and Administration). On July 23, 2015, the Commission adopted Decision (D.) 15-07-007, which resolved Phase 1 and Phase 2 issues by adopting restated program goals and a number of program design reform measures.

Phase 3 of the proceeding is currently underway. On November 17, 2015, the Commission held a prehearing conference (PHC) to address Phase 3 issues.

During the PHC, and in PHC statements filed prior to the PHC, parties raised the issue of an implementation deadline for the new rule adopted in D.15-07-007 that the CTF discount for E-rate eligible schools shall be capped at the level equal to the federal E-rate discount (E-rate Cap).<sup>1</sup>

On November 30, 2015, the assigned Administrative Law Judges (ALJs) issued a ruling directing parties to file post-PHC comments regarding the amount of time that carriers will need to implement the revised CTF discounts for schools based on the E-rate Cap. On December 15, 2015, parties filed post-PHC comments addressing a timeline for implementation of the E-rate Cap, as well as other implementation issues regarding the cap.<sup>2</sup>

On December 18, 2015, the assigned Commissioner issued an Amended Scoping Memo and Ruling for Phase 3 of the Proceeding (Scoping Memo). The Scoping Memo set forth 11 issues to be considered during Phase 3. The Scoping Memo stated that the Commission would address Issues 1 and 2 in an earlier decision in spring of 2016 while Issues 3 through 11 would be addressed in a later decision. Issue 1 concerns the process for eligible entities in unserved or underserved areas to seek exemption from reduced voice services support. Issue 2 concerns methods to determine whether wireless data plans for non-E-rate participants are the most cost-effective form of internet access.

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<sup>1</sup> D.15-07-007 at 58-59.

<sup>2</sup> Post-PHC comments were filed by: Pacific Bell Telephone Company dba AT&T California, AT&T Corp., Teleport Communications America, LLC, Cricket Wireless LLC, and AT&T Mobility LLC (New Cingular Wireless PCS, LLC, AT&T Mobility Wireless Operations Holdings, Inc. and Santa Barbara Cellular Systems Ltd.) (jointly, "AT&T"); Cox California Telecom, LLC dba Cox Communications (Cox); and Charter Fiberlink CA-CCO, LLC (Charter Fiberlink).

Pursuant to the schedule adopted by the Scoping Memo, parties filed initial comments on Issues 1 and 2 on January 15, 2016.<sup>3</sup> Parties filed reply comments on these issues on January 29, 2016.<sup>4</sup>

Based on the comments, we determine that further information needs to be gathered in order to resolve Issue 2. Therefore, Issue 2 will be addressed in a later decision along with the remainder of the Phase 3 issues.

## **2. Discussion**

### **2.1. Deadline for Implementation and Effective Date for E-rate Cap**

To promote the CTF goals of serving the disadvantaged and preventing fraud, waste, and abuse, D.15-07-007 adopted the rule that the CTF discounts for federal E-rate eligible schools will be no higher than their E-rate subsidy.<sup>5</sup> Under this rule, each school is eligible for a CTF discount of 50% of their costs for services (or 25% for voice services) after applying the E-rate discount, up to an amount equal to the school's federal E-rate subsidy. However, D.15-07-007 did not provide a deadline for carriers to implement the E-rate Cap.

In post-PHC comments, AT&T requests that it be given until April 20, 2017, to implement the E-rate Cap. According to AT&T, much of this

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<sup>3</sup> Initial Comments were filed by: The Utility Reform Network (TURN); the Corporation for Education Network Initiatives in California (CENIC); Pacific Bell Telephone Company dba AT&T California, AT&T Corp., Teleport Communications America, LLC, and AT&T Mobility LLC (New Cingular Wireless PCS, LLC, AT&T Mobility Wireless Operations Holdings, Inc. and Santa Barbara Cellular Systems Ltd.) (jointly, "AT&T and Affiliates"); the California Department of Education (CDE); the California Association of Nonprofits (CalNonprofits); and jointly by Sprint Communications L.P. and T-Mobile West LLC dba T-Mobile (Sprint/T-Mobile).

<sup>4</sup> Reply Comments were filed by: CENIC and the California Community Colleges Chancellor's Office (CCCCO).

<sup>5</sup> D.15-07-007 at 58-59. Pursuant to D.15-07-007, this cap only applies to E-rate eligible schools.

time is needed to complete the information technology (IT) work for those affiliates and divisions that employ a mechanized process for handling the discounts.

Charter Fiberlink requests a period of 90 days from the date the Commission provides clarification regarding the cap as requested by AT&T. Charter Fiberlink asserts that this 90-day period is needed to coordinate the implementation of the revisions with participating schools and to update billing systems.

Cox recommends that service providers be required to implement the E-rate Cap no earlier than July 1, 2016, when the next fiscal years for both the E-rate program and the CTF program commence.

In AT&T's comments on the proposed decision, AT&T provides an update to its timeline and asserts that it can complete the necessary IT work to implement the cap by the end of October 2016. AT&T asserts that other carriers' requested shorter timeframes cannot be readily applied to AT&T.<sup>6</sup> Based on AT&T's comments, we find an implementation deadline of November 1, 2016 to be reasonable. Although AT&T is the only carrier that indicates it would need that much time to implement the cap, we find it reasonable to impose the same requirement on all carriers in order to ensure the fair and consistent treatment of customers.

Since we are setting November 1, 2016, as the date by which carriers are required to implement the E-rate Cap, we find it reasonable to apply the cap after

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<sup>6</sup> AT&T asserts that Administrative Letter Number 24 issued on October 30, 2015 triggered providers' responsibilities and activities to implement the E-rate Cap. (AT&T Comments on Proposed Decision at 4.) Contrary to AT&T's assertion, the Commission adopted the E-rate Cap in D.15-07-007, which was effective on July 23, 2015.

the implementation has been completed. The E-rate Cap shall be effective for each customer as of the customer's first billing cycle that begins on or after November 1, 2016. This effective date will simplify implementation and provide certainty to affected schools that otherwise would have to adjust their budgets for previous fiscal years.

## **2.2. Applicability of E-rate Cap to Voice Services for Schools**

In its post-PHC Comments, Cox states that D.15-07-007 is not clear how the CTF E-rate Cap would apply to voice services purchased under the CTF program.<sup>7</sup> We agree that additional guidance is needed regarding how the CTF E-rate Cap applies to voice services.

Whereas the Federal Communications Commission (FCC) has decided to phase out the federal E-rate discount for voice services, we determined that the CTF program should retain voice discounts. Beginning in funding year 2015, the federal E-rate program subtracts 20% from the school or library's voice service discount each year until the federal E-rate discount reaches zero.<sup>8</sup> Due to limited California-specific data regarding voice subsidies and how CTF participants use voice services, D.15-07-007 determined that the CTF program should not fully phase out voice discounts at this time. Rather, the Commission reduced CTF support of voice services, including voice communications provided via interconnected Voice Over Internet Protocol (VoIP), from 50% to 25%.<sup>9</sup> The Commission also determined that eligible schools, libraries, government-owned

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<sup>7</sup> Cox Post-PHC Comments at 2.

<sup>8</sup> *In the Matter of Modernizing the E-Rate Program for Schools and Libraries* (2014) FCC 14-99, 29 FCC Rcd 8870 at ¶ 135.

<sup>9</sup> D.15-07-007 at 41-42.

and operated health care facilities, and Critical Access Hospitals in unserved or underserved areas would be able to receive an exemption from the reduced support for voice services and retain the 50% CTF discount.<sup>10</sup>

Pursuant to the CTF E-rate Cap, the CTF discount for E-rate eligible schools is capped at the level equal to the federal E-rate discount. Once the federal E-rate discount for voice services is phased down to 0%, applying the CTF E-rate Cap would mean that the CTF discount for voices services would also be 0%. In this situation, the school would be unable to receive a CTF discount for voice services despite the Commission's determination to retain a voice discount for the CTF program.

The Commission intended for CTF participants to continue to receive a CTF discount for voice services despite the FCC's phasing out of the E-rate subsidy. Therefore, we modify D.15-07-007 to state that if an E-rate school's federal subsidy for voice services is 0%, the school will retain the 25% CTF voice discount or 50% CTF voice discount if the school is exempt from the reduction in the voice discount. These modifications ensure consistency with the Commission's position that the CTF voice discount be retained in California for the time being.

## **2.3. Exemption from Reduced Voice Services Support**

### **2.3.1. Determination of Eligibility to Claim Exemption**

The Scoping Memo sought comment regarding what information or documentation schools, libraries, government-owned and operated health care facilities, and Critical Access Hospitals should submit to the Commission to

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<sup>10</sup> D.15-07-007 at 42-43.



demonstrate that they are in unserved or underserved areas as defined in D.15-07-007,<sup>11</sup> and therefore, eligible for the exemption from reduced voice services support. The Scoping Memo further sought comment on whether an address or zip code check against a map of unserved or underserved areas would be adequate to determine whether an otherwise eligible entity is in an unserved or underserved area.

Most parties recommend use of the Commission's Broadband Availability Maps to determine whether an entity is in an unserved or underserved area.<sup>12</sup> The Broadband Availability Maps are available on the Commission's website as a tool for California citizens to find and investigate broadband services in their area.<sup>13</sup> The maps are based on data the Commission collects from California broadband providers including the availability of broadband services, the technology used to provide them, and the maximum advertised speeds at which broadband services are offered. Communications Division (CD) staff validates and adjusts data, if warranted, before it is posted on the website. This includes daily posting of feedback from consumers and CalSPEED crowdsourced data. The maps are updated once a year. The current version of the maps display data current as of December 31, 2014.

Based on parties' comments, the Commission's Broadband Availability Maps present the most feasible option for determining whether an entity is in an

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<sup>11</sup> Unserved is defined as less than 0.768 mbps downstream and less than or equal to 0.200 mbps upstream. (D.15-07-007 at 42, fn. 55.) Underserved is defined as less than 6 mbps and greater than or equal to 0.768 mbps downstream, and less than 1.5 mbps and greater than 0.200 mbps upstream. (D.15-07-007 at 42, fn. 56.)

<sup>12</sup> TURN Initial Comments at 5; CENIC Initial Comments at 2; AT&T and Affiliates Initial Comments at 2; CalNonprofits Initial Comments at 6; CCCCCO Reply Comments at 2.

<sup>13</sup> The maps are currently available at: <http://www.cpuc.ca.gov/General.aspx?id=1197>.

unserved or underserved area for purposes of determining eligibility for the reduced voice discount exemption.<sup>14</sup> The data in these maps show the served, underserved, and unserved areas of the state. The maps use definitions of unserved and underserved that are consistent with the definitions used in D.15-07-007.<sup>15</sup>

For current CTF participants,<sup>16</sup> CD will identify and make available on the CTF website<sup>17</sup> a list of eligible entities that are in unserved or underserved areas based on information in the Commission's Broadband Availability Maps. CD shall make this list available within 30 days of the issuance of this decision. The entities listed by CD on the CTF website will be presumptively eligible for the exemption subject to the certification requirements discussed below. New CTF applicants should include their request for an exemption in their initial CTF application. The applicants should include documentation that verifies that they are in an unserved/underserved area on the Commission's Broadband Availability Maps and the certification requirements discussed below.

The Broadband Availability Maps separate broadband availability into the categories of wireline, fixed wireless, and mobile. CENIC recommends that entities listed as unserved or underserved by wireline or fixed wireless service be

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<sup>14</sup> CDE had recommended that the exemption automatically be provided to schools in unserved/underserved areas listed on the Broadband Infrastructure Improvement Grant (BIIG) awardee lists. (CDE Initial Comments at 2-3.) CDE subsequently retracted this recommendation in its opening comments on the proposed decision.

<sup>15</sup> See <http://www.cpuc.ca.gov/General.aspx?id=1197>; D.15-07-005 at 42, fns. 55 & 56. If the Broadband Availability Maps rely on changed definitions of unserved and underserved in the future, use of the maps to determine eligibility for the exemption may have to be reexamined.

<sup>16</sup> Current CTF participants are participants that are approved to participate in CTF as of the date of this decision.

<sup>17</sup> The CTF website is currently available at: <http://www.cpuc.ca.gov/ctf>.

eligible for the exemption.<sup>18</sup> No other party offered any recommendation regarding which category of broadband should be used. We find it reasonable to use the map for wireline service to determine eligibility for the exemption.<sup>19</sup> Entities that are in an unserved or underserved area for wireline service shall be presumptively eligible for the exemption from reduced voice services support.

It is possible that information on the wireline broadband availability map may not accurately reflect an entity's available broadband service. Therefore, we agree with CENIC's recommendation that the Commission consider an appeal process.<sup>20</sup> CTF participants that disagree with their status of served versus unserved/underserved may request an informal appeal with CD as to their status. An entity may appeal its status by submitting a letter to CD, signed under penalty of perjury, by a superintendent, chancellor, executive director, chief executive officer, or other executive officer of comparable position, certifying that the entity has contacted all relevant carriers in the area and that no carrier is able to provide broadband service. The letter shall also include a list of all of the relevant carriers in the participant's area. In the course of administering these appeals, CD may determine that a different appeal process is necessary. In this case, CD may set forth a new appeal process and documentation requirements through a Commission resolution.

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<sup>18</sup> CENIC Initial Comments at 2.

<sup>19</sup> The map does not currently distinguish between business and consumer wireline data. Consumer data reflects residential service offerings while business data reflects the availability of business services, as those services are identified by the provider. If available, business wireline data rather than consumer wireline data should be used.

<sup>20</sup> CENIC Reply Comments at 2.

### **2.3.2. Certification Requirement**

The Scoping Memo sought comment on whether the Commission should require entities seeking the exemption to certify, in writing within 90 days of an exemption request, that they receive only voice services from any telecommunications provider and whether that certification should be supported by billing documentation.

Most parties comment that entities should not be required to provide certification and billing documentation that they receive only voice services.<sup>21</sup> Only CDE states that it is appropriate to require entities to provide certification along with supporting billing documentation.<sup>22</sup>

We explained in D.15-07-007 that: “CTF is intended to ensure high-speed internet connectivity for community CTF-eligible institutions at reasonable rates. It does not represent a budget support mechanism for the routine costs of operating an entity.”<sup>23</sup> We reduced CTF support of voice (and VoIP) services from 50% to 25%, in part because of the development of new, advanced telecommunications technologies and the fiscal impact of voice services on CTF. However, we recognized that entities in unserved and underserved areas may have limited telecommunications services to serve their communities, and therefore, allowed these entities to apply for an exemption to retain the 50% voice subsidy.<sup>24</sup> The purpose of allowing this exemption was to continue to

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<sup>21</sup> TURN Initial Comments at 7; CalNonprofits Initial Comments at 6; CENIC Reply Comments at 2.

<sup>22</sup> CDE Initial Comments at 3.

<sup>23</sup> D.15-07-007 at 41.

<sup>24</sup> D.15-07-007 at 41-42.

provide full CTF support for voice services where such services were the only avenue for internet access.

Given the purpose of the exemption, we find that entities should be required to certify that they receive only voice services from any telecommunications carrier. This certification requirement will help ensure that the CTF voice subsidy is not used for routine operating costs. The CTF reduction in voice services support goes into effect on July 1, 2016 and the exemptions will also go into effect on that date. In order for the exemptions to be in place before July 1, 2016, we require current CTF participants to provide certification within 20 days after CD makes its list of eligible entities available on the CTF website. New CTF applicants should provide this certification with their initial CTF application and exemption request. The certification should be supported by billing documentation that includes the most recent bill and a bill from the previous year. If the bills show that the entity is receiving only voice services, then the entity will retain the 50% CTF discount on voice services. If the bills show that the entity is receiving both voice and internet access services, the entity will receive a 25% subsidy on voice services and a 50% subsidy on internet services.

For current CTF participants that have provided the requisite certification, CD will identify these participants on the CTF website as approved for a 50% voice discount. New CTF applicants that are approved for a 50% voice discount should provide documentation of their approved voice exemption to their carrier.

Parties comment that certification or additional documentation should not be necessary if an entity is in an unserved or underserved area according to the Commission's Broadband Availability Maps.<sup>25</sup> But the mere fact that an entity is located in an unserved or underserved area pursuant to the maps is insufficient to ensure that the voice subsidy is not being used for routine operating costs.

CalNonprofits argues that entities in unserved/underserved areas may receive a combination of services and that forcing them to only use voice services in order to attain the exemption unreasonably restricts their ability to obtain new technology.<sup>26</sup> As stated above, the purpose of allowing the exemption was to provide full CTF voice support to entities that lack other avenues for internet access. To the extent that an entity receives a combination of services, the entity will still receive CTF support of 25% on voice services and 50% on internet services.

### **2.3.3. Exemption Renewal**

The Scoping Memo sought comment on what the frequency for submission of exemption requests should be and whether participants should be required to renew the exemption every two years.

Most parties comment that a two-year renewal process is reasonable.<sup>27</sup> Some parties recommend a three-year renewal process to align with the CTF renewal period for community-based organizations (CBOs).<sup>28</sup>

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<sup>25</sup> TURN Initial Comments at 7; CENIC Reply Comments at 2.

<sup>26</sup> CalNonprofits Initial Comments at 6.

<sup>27</sup> TURN Initial Comments at 6; CENIC Initial Comments at 3; AT&T and Affiliates Initial Comments at 3; CDE Initial Comments at 3.

<sup>28</sup> CENIC Initial Comments at 3; CalNonprofits Initial Comments at 6.

We find it reasonable to require participants to renew their exemption every three years. From an administrative standpoint, it makes sense to align the renewal period with the CTF renewal period. Further, there is no indication that the deployment of broadband to unserved and underserved areas occurs at such a rapid rate that a three-year renewal period would be unreasonable.<sup>29</sup>

#### **2.3.4. Duration of Exemption**

The Scoping Memo sought comment on what criteria and data the Commission should use to assess whether the reduced voice discount exemption should continue or expire.

AT&T and Affiliates state that the exemption might be appropriate as long as there are areas unserved and underserved by broadband.<sup>30</sup> CalNonprofits also recommends that rather than eliminate the exemption as a whole, the decision to eliminate the exemption should be made on a case-by-case basis depending on whether an entity has adopted other viable and reliable internet access.<sup>31</sup>

TURN recommends that exemptions have a time-certain period, even if the entity achieves broadband access during that period. TURN notes that entities eligible for the exemption require some certainty regarding costs as they have tight budgets and would have difficulty absorbing changes during a budget cycle.<sup>32</sup>

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<sup>29</sup> Both CENIC and TURN comment that the deployment of broadband to unserved and underserved areas takes time. (TURN Initial Comments at 6; CENIC Reply Comments at 2.)

<sup>30</sup> AT&T and Affiliates Initial Comments at 5.

<sup>31</sup> CalNonprofits Initial Comments at 7.

<sup>32</sup> TURN Initial Comments at 7-8; see also CCCCCO Reply Comments at 3.

Based on the parties' comments, we do not make a determination at this time as to when or how the reduced voice discount exemption should expire as a whole. However, this – along with CTF's support for voice service more generally – is an issue that the Commission may need to revisit in the future. One of the goals of the CTF program is to ensure high-speed internet connectivity for community CTF-eligible institutions at reasonable rates. As D.15-07-007 explained, "CTF support must change in response to the changing nature of advanced telecommunications services."<sup>33</sup> As new, advanced telecommunications technologies continue to develop, we must consider the fiscal impact that a continued voice exemption has on CTF.

We do agree with TURN's recommendation that the exemption should have a time-certain period in order to provide some certainty to CTF participants, as well as to reduce administrative burden on staff. We find it reasonable for the exemption to remain in place for three years consistent with the renewal period for the exemption. Therefore, once an entity receives the exemption, it will retain the exemption for the entire three-year period.

### **2.3.5. Applicability to CBOs and Community Colleges**

D.15-07-007 adopted the exemption from reduced voice support only for schools, libraries, government-owned and operated health care facilities, and Critical Access Hospitals in unserved or underserved areas.<sup>34</sup> The Scoping Memo sought comment on whether the exemption should be extended to CBOs located in unserved or underserved areas.

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<sup>33</sup> D.15-07-007 at 42.

<sup>34</sup> D.15-07-007 at 42-43.



The parties generally agree that the exemption should be extended to CBOs.<sup>35</sup> Parties state that there is no compelling reason to exclude CBOs from the exemption and that CBOs in unserved/underserved areas operate under the same constraints as those entities eligible for the exemption.<sup>36</sup> All of the parties commenting on the issue also state that the process for CBOs to claim the exemption should be the same as for other eligible entities.<sup>37</sup>

Several parties comment that the exemption should also be extended to community colleges.<sup>38</sup>

We agree with parties that there is a lack of justification for providing the exemption to schools, libraries, government-owned and operated health care facilities, and Critical Access Hospitals in unserved or underserved areas while excluding CBOs and community colleges located in these areas. Therefore, CBOs and community colleges in unserved and underserved areas shall also be eligible for the exemption from reduced voice services support. The same procedure and requirements for the exemption that apply to the other eligible entities shall apply to the CBOs and community colleges.

### **3. Comments on Proposed Decision**

The proposed decision of Commissioner Peterman in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code

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<sup>35</sup> TURN Initial Comments at 3-4; AT&T and Affiliates Initial Comments at 4; CalNonprofits Initial Comments at 2-5.

<sup>36</sup> TURN Initial Comments at 3-4; CalNonprofits Initial Comments at 4.

<sup>37</sup> TURN Initial Comments at 6-7; CDE Initial Comments at 3; AT&T and Affiliates Initial Comments at 4; CalNonprofits Initial Comments at 5.

<sup>38</sup> CENIC Initial Comments at 3; AT&T and Affiliates Initial Comments at 4; CCCCCO Reply Comments at 2.

and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 23, 2016 by CDE and on March 28, 2016 by Cox and AT&T and Affiliates. Reply comments were filed on April 4, 2016 by AT&T and Affiliates.

All comments and reply comments have been carefully considered. The proposed decision has been revised based on these comments. These revisions include: modifying the deadline for implementation and effective date for the E-rate Cap, deleting the requirement that the BIIG awardee lists be used to determine eligibility for the reduced voice discount exemption, and clarifying how carriers will be notified of CTF participants that are approved for the reduced voice discount exemption.

We decline to adopt Cox's recommendation that the Commission clarify that the E-rate Cap does not apply to voice services. In reply comments on the proposed decision, AT&T indicates that the Commission's exclusion of voice services from the E-rate Cap would further delay its implementation of the cap until early 2017. We find it unreasonable to further delay implementation of the cap.

The proposed decision has also been revised to modify the date by which CD is required to make available the list of entities in unserved or underserved areas that are eligible for the reduced voice discount exemption. In addition, editorial changes have been made to the proposed decision to improve its clarity and correct minor errors.

#### **4. Assignment of Proceeding**

Carla J. Peterman is the assigned Commissioner and Sophia J. Park is the assigned ALJ in this proceeding.

#### **Findings of Fact**

1. In D.15-07-007, the Commission adopted the rule that the CTF discounts for E-rate eligible schools will be no higher than their federal E-rate subsidy.

2. The FCC has decided to phase out the federal E-rate discount for voice services.

3. In D.15-07-007, the Commission determined that the CTF program should continue to support voice services but that the voice discount should be reduced from 50% to 25%. The Commission also determined that eligible entities in unserved and underserved areas should be able to receive an exemption from the reduction in voice support and retain the 50% CTF discount.

4. Once the federal E-rate discount for voice services is phased down to 0%, applying the CTF E-rate Cap would mean that the CTF voice discount would also be 0%.

5. The Commission's Broadband Availability Maps present the most feasible option for determining whether an entity is in an unserved or underserved area for purposes of determining eligibility for the exemption from reduced voice services support.

6. The Commission's Broadband Availability Maps use definitions of served, underserved, and unserved that are consistent with the definitions used in D.15-07-007.

7. The purpose of allowing the reduced voice discount exemption was to continue to provide full CTF support for voice services where such services were the only avenue for internet access.

8. The CTF voice subsidy is not meant to support a CTF participant's routine operating costs.

9. It is reasonable to require CTF participants to renew their exemption from reduced voice services support every three years.

10. Once a CTF participant receives the reduced voice discount exemption, it is reasonable for the exemption to remain for the entire renewal period.

11. There is a lack of justification for excluding CBOs and community colleges in unserved and underserved areas from eligibility for the reduced voice discount exemption.

### **Conclusions of Law**

1. The CTF E-rate Cap should be effective for each customer as of the customer's first billing cycle that begins on or after November 1, 2016.

2. The deadline for carriers to implement the CTF E-rate Cap should be November 1, 2016.

3. To ensure consistency with the Commission's retention of the voice discount for the CTF program, schools subject to the E-rate Cap should be able to retain a minimum voice discount based on the voice discount adopted in D.15-07-007 despite the E-rate Cap.

4. The Commission's Broadband Availability Maps for wireline service should be used to determine eligibility for the reduced voice discount exemption.

5. CTF participants that disagree with their status of served versus unserved/underserved should be able to request an appeal as to their status.

6. CTF participants seeking the reduced voice discount exemption should be required to certify and provide supporting billing documentation that they receive only voice services from any telecommunications provider.

7. CTF participants should be required to renew their requests for exemption from reduced voice services support every three years.

8. Once a reduced voice discount exemption is granted, it should remain in place for a period of three years.

9. CBOs and community colleges in unserved and underserved areas should be eligible for the exemption from reduced voice services support. The same procedure and requirements for the exemption that apply to the other eligible entities should apply to the CBOs and community colleges.

## **O R D E R**

### **IT IS ORDERED** that:

1. Carriers that provide California Teleconnect Fund (CTF)-eligible services shall implement the requirement adopted in Decision 15-07-007 that for E-rate eligible schools, the CTF discount shall be no higher than the federal E-rate subsidy by November 1, 2016.

2. The California Teleconnect Fund E-rate Cap shall be effective for each customer as of the customer's first billing cycle that begins on or after November 1, 2016.

3. Paragraph 18 of Appendix A of Decision 15-07-007 is modified to read as follows:

18. The California Teleconnect Fund Discount is 50% of eligible service costs, except for voice services which will be discounted at 25%. For Federal E-rate program participants, the California Teleconnect Fund's discount applies to eligible service costs minus the Federal E-rate subsidy. For E-rate schools, the CTF discount amount shall be no higher than their Federal E-rate subsidy. However, if an E-rate school's Federal E-rate subsidy for voice services is 0%, it will retain the CTF voice discount of 25% or a 50% CTF voice discount if it is exempt from a reduction in voice support.

4. Within 30 days of the issuance of this decision, Communications Division (CD) shall identify and make available on the California Teleconnect Fund (CTF) website a list of CTF participants approved as of the date of this decision that are eligible for the exemption from reduced voice services support in unserved or underserved areas based on information in the Commission's Broadband Availability Maps. New CTF applicants seeking an exemption shall include documentation verifying that they are in an unserved or underserved area on the Commission's Broadband Availability Maps when submitting their initial application.

5. California Teleconnect Fund participants that disagree with their status of served, unserved, or underserved may request an appeal with Communications Division (CD) as to their status. An entity may appeal its status by submitting a letter, signed under penalty of perjury, by a superintendent, chancellor, executive director, chief executive officer, or other executive officer of comparable position, certifying that the entity has contacted all relevant carriers in the area and that no carrier can provide broadband service. The letter shall also include a list of all of the relevant carriers in the participant's area. If CD determines that a different appeal process is necessary, CD may set forth a new appeal process and documentation requirements through a Commission resolution.

6. Within 20 days of Communications Division making available the list of entities eligible for the exemption from reduced voice services support, California Teleconnect Fund (CTF) participants seeking the exemption shall provide certification that they receive only voice services from any telecommunications carrier. The certification shall be supported by billing documentation that includes the most recent bill and a bill from the previous year. New CTF applicants shall provide their certification documentation with

their initial application. Participants and applicants that do not provide the required certification and documentation shall be ineligible to receive the exemption.

7. Communications Division shall identify on the California Teleconnect Fund (CTF) website the CTF participants approved as of the date of this decision that are approved for the exemption from reduced voice services support. New CTF applicants that are approved for the voice exemption shall provide documentation of their approved voice exemption to their carrier.

8. California Teleconnect Fund participants shall renew their exemption from reduced voice services support every three years. Once a participant receives an exemption, it shall retain the exemption for a period of three years.

9. Community-based organizations (CBOs) and community colleges in unserved and underserved shall be eligible for the exemption from reduced voice services support. The same procedure and requirements for the exemption that apply to the other eligible entities shall apply to the CBOs and community colleges.

10. Rulemaking 13-01-010 remains open.

This order is effective today.

Dated April 21, 2016, at San Francisco, California.

MICHAEL PICKER  
President  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
CARLA J. PETERMAN  
LIANE M. RANDOLPH  
Commissioners