

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Consumer Programs Branch**

**RESOLUTION T-17314
June 23, 2011**

R E S O L U T I O N

Resolution T-17314 Adopting a Policy that First Deducts Federal Communications Commission's Program Support or Discount from the California Teleconnect Fund Service Charges Incurred by Eligible Non-Profit Community Based Organizations and Rural Health Care Providers Before Computing the California Teleconnect Fund Discount

Summary

This resolution adopts a policy that first deducts the Federal Communications Commission's (FCC) program support or discount from the total California Teleconnect Fund (CTF) service charges incurred by qualifying rural health care providers (RHCPs) and non-profit community based organizations (CBOs) offering Head Start programs before computing the 50 percent CTF discount on the remaining amount. This policy will become effective no later than 90 days from the date of issuance of this resolution for E-rate or RHCP funding received by CTF participants or Fiscal Year 2012, whichever comes first.

Background

I. Decision 96-10-066 – Establishment of CTF Program

In its Universal Service decision (D.) 96-10-066, issued October 25, 1996, the Commission established the CTF, which provides a 50 percent discount on selected telecommunications

services¹ to California K-12 schools and libraries, non-profit CBOs², and municipally owned health care institutions.

II. FCC's Creation of E-rate Program for Schools and Libraries

On May 7, 1997, subsequent to the issuance of D.96-10-066, the FCC established a new discount program for schools and libraries for both interstate and intrastate telecommunications services (also referred to as "E-rate program"), as part of the Telecommunications Act of 1996 and its Universal Service Report and Order (FCC 97-157). The program, which is administered by the Universal Service Administrative Committee (USAC), was designed to provide affordable telecommunications and Internet access services to all eligible schools and libraries, particularly those in rural and economically disadvantaged areas. The schools and libraries discount matrix that the FCC adopted provides discounts ranging from 20 percent to 90 percent. Eligible schools, school districts, and libraries may apply individually or as part of a consortium.

III. Resolution T-16052 – Commission Approval of Schools and Libraries E-rate Discount Matrix.

In Resolution T-16052, issued June 25, 1997, the Commission approved the schools and libraries discount matrix contained in the FCC Report and Order to enable California K-12 schools and libraries to request federally funded discounts for intrastate telecommunications services under the E-rate program. Resolution T-16052 was not intended to modify the CTF nor extend the CTF discounts to services the Commission did not regulate at that time. The CTF discounts would still be available even with the presence of the E-rate program, although schools and libraries were encouraged to determine which discount program offers them the best solution for their telecommunications needs at the best price.

IV. Resolution T-16118 – Adoption of Policy that CTF Applies after Taking into Account the E-rate Discount

In Resolution T-16118, issued February 4, 1998, the Commission adopted modifications to the CTF program for schools and libraries in order to realign the CTF with the FCC's E-rate discount program. Specifically, schools and libraries should be eligible for the 50 percent

¹ These services include measured business service, switched 56, Integrated Services Digital Network (ISDN), T-1, and DS-3 or their functional equivalents. (D.96-10-066, Appendix B, Rule 8.B.)

² These are non-profit CBOs with 501(c)(3) or 501(d) IRS tax exempt status that offer job training, job placement, educational instructions, health care, or computer technology programs to the public.

CTF discount for a particular telecommunications service after taking into account the discount obtained from the E-rate program.

V. CTF Administrative Letter 10B – Implementation of Actual or Statewide Average E-rate Discount as a Result of Senate Bill 1102 (Statutes of 2004, Chapter 227)

In 2004, Senate Bill 1102 (Statutes of 2004, Chapter 227) added Section 884.5 to the Public Utilities Code. The section, which became operative on January 1, 2006, included the following provision:

- (b) A teleconnect discount shall be applied after applying the E-rate discount. The Commission shall first apply the E-rate discount, regardless of whether the customer has applied for the E-rate discount or has been approved, if the customer, in the determination of the commission meets the eligibility requirements for the E-rate discount.

Consequently, on June 1, 2006, CD released Administrative Letter No. 10B to implement the above provision. Specifically, Administrative Letter No. 10B requires that CTF participating carriers must first apply the FCC’s actual E-rate discount or Commission’s statewide average E-rate discount prior to applying the CTF discount on CTF-eligible services subscribed to by qualifying schools and libraries.

Thus, schools and libraries without an actual E-rate may receive a lower CTF discount amount compared to its CTF discount prior to SB 1102, because the Commission first applies an annual statewide average E-rate discount developed by the Commission before applying the CTF discount to CTF-eligible services. The schools and libraries can mitigate this potential result by applying for the E-rate discount. The statewide average E-rate discount, however, is used solely for the purpose of computing the CTF discount and is added back to the bill for the customer to pay to its service provider. To illustrate:

A. School or library with an actual E-rate

CTF-eligible service charge	\$100
Less actual E-rate subsidized by the FCC (80%)	<u>80</u>
Difference	\$ 20
Less CTF Discount (50% applied to the difference)	<u>\$ 10</u>
Total Cost to School	\$ 10

B. School or library without an actual E-rate

CTF-eligible service charge	\$100
Less Statewide Average E-rate Discount (70%) ³	<u>70</u>
Difference	\$ 30
Less CTF Discount (50% of the difference)	<u>\$ 15</u>
Total Cost to School (\$15 + \$ 70)	\$ 85

VI. Additional FCC Programs that Impact the CTF Program

A. FCC's E-rate for Head Start and Other Programs

The FCC's E-rate discount also applies to non-traditional K-12 students and facilities, such as those that offer Head Start, pre-kindergarten, adult education, and juvenile justice programs. These programs are defined in detail under the California Department of Education (CDE) website.⁴ In particular, the USAC website lists California facilities that are eligible for funding for offering Head Start programs under the following link:

<http://www.usac.org/sl/applicants/step01/non-traditional-K-12/k-12-eligibility-table.aspx>

Currently, some CTF-eligible CBOs offering Head Start, pre-kindergarten, adult education, or juvenile justice programs are receiving 20 percent to 90 percent E-rate discount from the FCC on their monthly recurring costs for the telecommunications and Internet access services that are also CTF-eligible. However, if the E-rate discount is not accounted for in the determination of their CTF discounts, these CBOs may be receiving combined federal and state discounts that are in excess of their costs.

B. FCC's Rural Health Care Program

The Rural Health Care Program (RHC) of the federal Universal Service Fund provides reduced rates to eligible RHCPs for telecommunications and Internet access services used for the provision of health care so they pay no more than their urban counterparts for the

³ The statewide average E-rate discount is updated annually every July 1st is posted at: <http://www.cpuc.ca.gov/PUC/Telco/Public+Programs/CTF/CTFList.htm>

⁴ Please visit the following CDE website for a detailed description of (1) Head Start program at <http://www.cde.ca.gov/sp/cd/re/chssco.asp>; (2) pre-kindergarten or child development program for both public and private service providers at <http://www.cde.ca.gov/sp/cd/op/cefccdevprograms.asp>; (3) adult education program at <http://www.cde.ca.gov/sp/ae/po/>; and (4) juvenile justice schools at <http://www.cde.ca.gov/sp/eo/jc/>.

same or similar services. The program offers discounts on services such as basic telephone service, Internet access and advanced telecommunications services, which are also CTF-eligible services. Today, due to lack of state mandate, carriers do not first apply the RHC support before applying the CTF discount to CTF-eligible services.

DISCUSSION

I. Applying Federal Discount Prior to the CTF Discount in Compliance with PU Code Section 884.5

Section 884.5 (a) of PU Code applies to **all customers** eligible to receive discounts for telecommunications services under the federal Universal Service E-rate program that also apply for discounts on telecommunications services provided through the CTF program. Specifically, Section 884.5(b) provides that a teleconnect discount shall be applied after applying an E-rate discount independent of whether the customer actually applied for the E-rate discount.

However, some carriers do not first apply the E-rate discount prior to applying the CTF discount to those CBOs that are eligible for E-rate. Thus, these CBOs likely are receiving subsidies from both state and federal programs that may exceed their monthly recurring costs for CTF-eligible services.

Therefore, in order to comply with PU Code Section 884.5, leverage the CTF funding, and prevent overpayment of subsidies to CBOs offering qualifying activities eligible for E-rate discount, such as Head Start, pre-kindergarten, adult education, and juvenile justice programs, CD recommends that the Commission reiterate that service providers are to first apply the federal E-rate discount prior to applying the CTF discount. However, in the event that the E-rate eligible CBO does not have an actual E-rate discount, the statewide average E-rate discount will first apply prior to applying the CTF discount on CTF-eligible service charges. To illustrate:

A. CBO offering E-rate and qualifying CTF eligible activities with an actual E-rate

CTF-eligible service charge	\$100
Less actual E-rate discount (80%)	<u>80</u>
Difference	\$ 20
Less CTF discount (50% applied to the difference)	<u>\$ 10</u>
Total Cost to CBO	\$ 10

B. CBO offering E-rate and CTF qualifying activities without an actual E-rate

CTF-eligible service charge	\$100
Less Statewide Average Discount (70%)	<u>\$ 70</u>
Difference	\$ 30
Less CTF discount (50% applies to the difference)	\$ 15
Total Cost to CBO (\$15 + \$70)	\$ 85

II. CTF Discount Policy for Rural Health Care Providers

The RHC of the Universal Service Fund makes discounts available to eligible health care providers for telecommunication services and monthly Internet services charges. The program is intended to ensure that RHCPs pay no more for telecommunications in the provision of health care services than their urban counterparts. While RHCPs apply for these discounts, USAC works in conjunction with service providers to ensure these discounts are passed on to RHCPs program participants.

Currently, there is no Commission order that requires carriers to first apply the FCC's funding support or subsidies before applying the CTF discount to CTF-eligible services subscribed to by eligible rural health care providers. Hence, these entities receive subsidies from both federal and state programs that may cover their telecommunications expense fully or exceed their costs because the FCC funding/subsidy is not taken into account first before calculating the CTF discount. Thus, to resolve the potential overfunding issue and better leverage CTF funding, CD proposes that the Commission prescribe the following policies:

- For RHCP with FCC subsidy – Carriers should first apply the FCC funding/subsidy received by an RHCP before applying the CTF discount on CTF-eligible services.
- For RHCP without FCC subsidy - Carriers should apply the 50 percent CTF discount to the entire CTF-eligible service charges.

CD believes it is appropriate for carriers to apply the 50 percent CTF discount to the entire charges on CTF-eligible services subscribed to by RHCPs that do not receive FCC support. Given the current complex integration of the different rate/charge elements in the FCC funding discount methodology, it currently is infeasible to calculate a statewide average RHC discount similar to schools and libraries' E-rate program.

III. All Federal Discounts Must First Apply Prior to Applying the CTF Discount

In the event that other qualifying CTF activities offered by CTF participants become eligible for FCC funding in the future, that funding should be taken into account first before applying the CTF discount. This policy would not only leverage the CTF funding, but also prevent any potential overpayment of subsidies to CTF participants. Additionally, the application of federal funding discount prior to CTF discount is consistent with PU Code Section 884.5.

Carrier's Implementation of the Policy Set Forth in this Resolution

In order to implement the CTF changes set forth in this resolution, within 30 days from the date of issuance of this resolution, CTF participating carriers that have not detariffed are required to reflect in their tariffs that FCC funding support or subsidy must first apply prior to applying the CTF discount to eligible RHCPs and CBOs. These CBOs should offer qualifying E-rate and CTF activities, such as Head Start, pre-kindergarten, adult education, or juvenile justice programs. Additionally, carriers that have detariffed are required to reflect such changes in their guidebooks, including Internet posting, within 30 days from the date of issuance of this resolution.

Finally, within 60 days from the date of issuance of this resolution, CTF participating carriers should first apply any E-rate discount received by CBOs before computing the CTF discount. Similarly, within 60 days from the date of issuance of this resolution, CTF participating carriers should first deduct any RHC funding received by RHCPs before calculating the CTF discount.

CONCLUSION

In light of the above discussion, CD believes that its recommendation to apply any federal subsidy prior to applying the CTF discount on CTF-eligible services subscribed to by CTF participants, particularly by CBOs and RHCPs is appropriate and reasonable. Therefore, CD respectfully requests that the Commission adopts this policy.

Comments on Draft Resolution

In compliance with PU Code § 311(g), a notice letter was emailed on April 5, 2011, informing all parties in R.95-01-020/I95-01-021 and R.06-05-028, CTF participating carriers, and member of the CTF Administrative Committee of the availability of the draft resolution for public comments at the Commission website at

<http://www.cpuc.ca.gov/static/documents/index.htm>. This letter also informed parties that the final conformed resolution adopted by the Commission will be posted and will be available at this same website.

Notice/Comments

I. AT&T, Verizon California Inc., Cox Communications (Cox), and U.S. TelePacific Corp. (TelePacific) filed timely comments on April 20, 2011.

AT& T argues that Draft Resolution errs in ordering carriers to deduct the statewide average E-rate discount for CBOs offering Head Start, pre-Kindergarten, adult education, or juvenile justice programs, not receiving an actual E-rate because the qualifying CTF CBO activities are broader than the specific and limited activities that the FCC requires for E-rate discounts as a “non-traditional, K-12” organizations; hence, the carriers lack the information to determine which CBO is eligible for, but not receiving, E-rate discounts. Thus, in order to resolve this issue, AT&T proposes that the Commission itself must first determine which CBOs are eligible for E-rate discounts. Additionally, AT&T recommends that the Commission perform the following:

- (1) Revise the CTF application form and require prospective CBO participants to indicate whether or not they offer qualifying E-rate activities as determined by the FCC;
- (2) Identify on the CPUC website which entities are eligible to receive E-rate funding;
- (3) Require existing CBO participants to update their application and identify whether or not they offer qualifying activities as determined by the FCC, such as billed entity number and indicate such eligibility on the Commission website; and
- (4) Modify CTF approval letter to CBO participants to indicate that actual E-rate or statewide average E-rate discount applies first before applying the CTF discounts.

With respect to RHCPs, AT&T recommends that the Commission revise its CTF application form in order to obtain information whether the applicant is an RHCP, and if it is, indicate on the Commission website that the RHCP is NOT eligible to receive CTF discount until its RHC funding has been approved. AT&T states that this process would prevent a laborious, non-mechanized true-up process of CTF discounts because CTF application is granted far in advance than RHCP application for RHC funding.

Finally, AT&T recommends that policy change for RHCPs become effective July 1, 2011, and further requests adequate time to implement changes for CBOs.

Verizon proposes the following to streamline the CTF policy changes:

- (1) Identify on the Commission CTF website which CBOs are eligible to receive federal E-rate discount;
- (2) Revise the CTF application form to obtain information if a prospective CBO applicant is offering qualifying activities that are eligible for E-rate discount and whether a CBO or rural health care provider applicant is receiving federal subsidies;
- (3) Send a copy of the approved application to carriers to expedite implementation; and
- (4) Survey existing CBO participants to collect E-rate eligibility, then update the Commission CTF website.

Finally, Verizon suggests at least 180 days implementation depending on CD staff's completion of CBO list update on the website and an additional 60 days for the carriers to conform their billing system once the website is updated.

TelePacific generally supports the Draft Resolution. TelePacific is concerned, however, that certain CBOs that do not have an actual E-rate and have entered into a multi-year contracts based upon a funding calculation that takes into account the 50 percent discount could be significantly disadvantaged if their discount drops to 15 percent (50% of the remaining 30%) after the application of the 70% statewide average is applied. As a remedy, TelePacific proposes that CBOs with existing multi-year contracts (without actual E-rate) be allowed a transition period and be treated as "Necessary Small Schools," pursuant to CTF Administrative Letter 10B where 50 percent CTF discount is applied unless they have an actual E-rate.

Cox recommends that the Commission (1) update its CTF application to include a line item for CBOs that offer non-traditional K-12 services; (2) identify CBOs that are eligible for both E-rate and CTF discount on the Commission website; (3) provide sufficient time for the CBOs to transition to the new framework by taking into consideration the E-rate funding cycle, where applications are filed in October 2011 through February 2012, for July 2012 funding year; and (4) notify carriers when additional CTF- eligible activities become eligible for federal funding, so that federal funding will be applied first before applying the CTF discounts.

II. CD has taken into consideration certain suggestions and comments by AT&T, Verizon, TelePacific, and Cox.

A. Postponement of E-rate rule first application before CTF discount for CBOs offering pre-Kindergarten, adult education, or juvenile justice programs

Since the Commission does not have a definitive list for CBOs offering pre-Kindergarten, adult education, or juvenile justice programs, this resolution addresses CBOs that offer Head Start programs only at this time. The Commission, however, will notify carriers/interested parties concerning the implementation of deducting federal funding first, prior to applying the CTF discounts to CBOs offering pre-Kindergarten, adult education, juvenile justice programs, or other qualifying FCC/CTF-eligible activities in the future.

B. Application of CTF discounts to CBOs offering Head Start programs

Currently, CDE maintains a list of eligible CBOs offering Head Start programs (Head Start schools) that are approved by the FCC to operate in California. The list is updated annually by the CDE and will be posted on the Commission website, so that carriers can check whether their CBO customer is eligible for E-rate funding.

Thus, in response to AT&T's, Verizon's, and Cox's request, the list of Head Start schools that will be posted on the Commission website should suffice to address which CBOs are eligible to receive E-rate funding. However, it is the carriers' responsibility to determine which of their CBO customers offering Head Start programs are receiving E-rate discount.

Cox and TelePacific have requested mitigating measures to ease the CBOs' transition to the policy of applying E-rate discounts first. Consistent with Cox's request for time for CBO to apply for the E-rate program for FY 2012, we will not implement the E-rate first policy or statewide average E-rate discount for CBOs without E-rate until July 1, 2012. However, for CBOs with E-rate discounts, carriers must apply the federal discount prior to application of the CTF discounts within 90 days from the issuance of this resolution.

Further, the exemption requested by TelePacific to treat CBOs with multi-year contracts with carriers as "Necessary Small School" cannot be granted because this policy applies only to public schools as defined by Section 42283 of the California Education Code. However, the transition period should minimize any potential adverse impact on CBOs with multi-year contracts. Moreover, we strongly urge carriers and CBOs to use the transition period to renegotiate the contracts to their mutual benefit.

CD will revise its approval letter to all CBOs that if they offer Head Start programs, the statewide average E-rate discount will apply for CTF discount calculation purposes only if they do not have an actual E-rate.

C. Rural Health Care Providers – CTF discount should apply to RHCPs even before they are approved for RHC funding

Although trueing up the CTF discounts may be a laborious process, we believe, however, that additional time spent on RHCPs may not be as time consuming as indicated by AT&T because their number is far less than schools and libraries. In addition, we note that schools and libraries receive their CTF discounts on a monthly basis regardless of whether they have an actual E-rate. Carriers true-up a customer's CTF discount when the customer obtains an E-rate funding commitment letter. Hence, RHCPs should not be restricted from obtaining accessible or readily available needed funding from CTF on a monthly basis until such time their federal funding is approved. For those RHCPs that did not apply for federal funding for a particular FY, the 50 percent discount applies on the total CTF eligible services.

Therefore, in order to facilitate the implementation of this resolution with regards to the application of federal RHC funding to CTF participants, carriers are required to refer to the following rules:

- a. Apply 50 percent CTF discount on CTF-eligible services subscribed to by RHCPs that did not apply for RHC funding in a given fiscal year.
- b. Apply 50 percent CTF discount on CTF-eligible services subscribed to by RHCPs while awaiting approval for RHC funding for FY 2012-13 and beyond, then true-up the CTF discount for that FY.
- c. Adjust the CTF discount received by RHCPs when RHC funding is received after the issuance date of this resolution for funding for FY 2010 -11 and FY 2011-12.

Furthermore, carriers are encouraged to remind their RHCP customers about the open enrollment period in late March and early April for RHC funding immediately after the release of this resolution so they can take advantage of the funding for FY 2012-13 and beyond.

Implementation Timeline/Notice

- a. Within 30 days from the date of issuance of this resolution, CTF participating carriers that have detariffed should reflect on their guidebooks, including Internet posting,

that federal support or subsidy must first apply prior to applying the CTF discount on CTF-eligible services subscribed to by CBOs offering Head Start programs and RHCPs.

- b. Within 30 days from the date of issuance of this resolution, CTF participating carriers that have not detariffed should revise their tariffs to reflect that federal support or subsidy must first apply prior to applying the CTF discount on CTF-eligible services subscribed to by CBOs offering Head Start programs and RHCPs.
- c. Within 90 days from the date of issuance of this resolution, CTF participating carriers should apply the actual E-rate discount received by CBOs offering Head Start programs prior to applying the CTF discount on CTF-eligible services.
- d. Within 90 days from the date of issuance of this resolution, CTF participating carriers should deduct any federal funding received by RHCPs first before applying the CTF discount on CTF-eligible services.
- e. The implementation of deducting the statewide average E-rate discount before applying the CTF discount will not take effect until July 1, 2012, for CBOs offering Head Start programs that do not apply for E-rate.
- f. Carriers should continue to apply the 50 percent CTF discount on CTF-eligible services for RHCPs that do not apply for RHC funding.
- g. The Commission will notify carriers/interested parties concerning the implementation of deducting federal funding prior to applying the CTF discounts for CBOs offering pre-Kindergarten, adult education, juvenile justice programs, or other qualifying FCC/CTF-eligible activities in the future.

The delayed implementation of July 1, 2012, will provide sufficient time for both carriers and impacted CTF participants (who do not apply for or currently receive federal funding) to take the necessary steps to smoothly implement the new policies set forth herein and minimize any hardships to both parties.

Findings of Fact:

1. Decision (D.)96-10-066, issued October 25, 1996, established the California Teleconnect Fund (CTF) that provides 50 percent discount on selected telecommunications services to qualifying K-12 schools and libraries, non-profit community based organizations, and municipally owned health care institutions.

2. On May 7, 1997, the Federal Communications Commission (FCC) established a new discount program for schools and libraries for both interstate and intrastate telecommunications services, referred to as “E-rate program” as part of the Telecommunications Act of 1996 and its Universal Service Report and Order (FCC 97-157).
3. The FCC’s E-rate program, which is administered by the Universal Service Administrative Committee (USAC), was designed to provide 20 percent to 90 percent discount on telecommunications and Internet access services to all eligible schools and libraries, particularly those in rural and economically disadvantaged areas.
4. In Resolution T-16052, issued June 25, 1997, the Commission approved the schools and libraries discount matrix contained in the FCC Report and Order 97-157 to enable California K-12 schools and libraries to request federally funded discounts for intrastate telecommunications.
5. In Resolution T-16118, issued February 4, 1998, the Commission adopted modifications to the CTF program for schools and libraries in order to realign the CTF with the FCC discount program for schools and libraries.
6. Resolution T-16118 provides that schools and libraries are eligible for the 50 percent rate discount from the CTF for a particular telecommunications service after taking into account the discount obtained from the E-rate program.
7. Administrative Letter 10B, dated June 1, 2006, was released pursuant to SB 1102 (Statutes of 2004, Chapter 277) and requires that carriers must first apply the actual or statewide average E-rate discount prior to applying the CTF discount on CTF-eligible services subscribed to by schools and libraries.
8. The FCC’s USAC website lists California facilities that are eligible for funding for offering Head Start programs at: <http://www.usac.org/sl/applicants/step01/non-traditional-K-12/k-12-eligibility-table.aspx>.
9. The Rural Health Care Program of the FCC’s Universal Service Fund provides reduced rates to eligible rural health care providers (RHCPs) for telecommunications and Internet access services so they pay no more than their urban counterparts for the same or similar services.

10. Senate Bill (SB) 1102 (Statutes of 2004, Chapter 227) added Section 884.5 to the Public Utilities (PU) Code, and became operative on January 1, 2006.
11. PU Code Section 884.5(a) applies to all customers eligible to receive discounts for telecommunications services under the federal Universal E-rate program that also apply for discounts on telecommunications services provided through the CTF program.
12. PU Section 884.5(b) provides that a Teleconnect discount shall be applied after applying an E-rate discount independent of whether the customer actually applied for the E-rate discount.
13. Every July 1, the Commission updates the statewide average E-rate discount, which applies to schools and libraries, as well as CBOs that offer Head Start, pre-Kindergarten, adult education, or juvenile justice programs that do not have an actual E-rate.
14. The statewide average E-rate discount is used solely for the purpose of computing the CTF discount and is added back to the bill for the customer to pay to its service provider.
15. Some CBOs offering Head Start as well as RHCPs are probably receiving federal and state funding that may exceed their monthly recurring costs for CTF-eligible services.
16. CTF participating carriers should first take into account the FCC funding/subsidies received by CBOs as well as RHCPs before applying the CTF discount on CTF-eligible service charges to resolve the potential overfunding issue and better leverage CTF funding.
17. The application of FCC support prior to applying the CTF discount on CTF-eligible service charges would not only leverage the CTF funding, but also prevent any potential overpayment of subsidies to CTF participants.
18. CTF participating carriers should apply the 50 percent CTF discount on the entire charges on CTF-eligible services subscribed to by RHCPs that do not receive FCC support.
19. CD believes it is appropriate for carriers to apply the 50 percent CTF discount to the entire CTF-eligible services subscribed to by RHCPs that do not receive FCC funding. Given the current complex integration of the different rate/charge elements in the FCC

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funding discount methodology, it currently is infeasible to calculate a statewide average RHC discount similar to schools and libraries' E-rate program.

20. CD's recommendation to apply any federal subsidy application prior to applying the CTF discount on CTF-eligible services subscribed to by CTF participants is appropriate and reasonable.
21. Since the Commission does not have a definitive list for CBOs offering pre-Kindergarten, adult education, or juvenile justice programs, this resolution addresses CBOs that offer Head Start programs only at this time.
22. CD will revise its approval letter to all CBOs that if they offer Head Start programs, the statewide average E-rate discount will apply for CTF discount calculation purposes only if they do not have an actual E-rate.
23. The Commission, however, will notify carriers/interested parties concerning the implementation of deducting federal funding first, prior to applying the CTF discounts to CBOs offering pre-Kindergarten, adult education, juvenile justice programs, or other qualifying FCC/CTF-eligible activities in the future.
24. The list of eligible CBOs offering Head Start programs/Head Start schools will be posted on the Commission website for reference.
25. It is the carriers' responsibility to determine which of their CBO customers offering Head Start programs are receiving E-rate discount.
26. Carriers are encouraged to remind their RHCP customers about the open enrollment period in late March and early April for RHC funding immediately after the release of this resolution so they can take advantage of the funding for FY 2012-13 and beyond.
27. For RHCPs, carriers should:
 - a. Apply 50 percent CTF discount on CTF-eligible services subscribed to by RHCPs that did not apply for RHC funding in a given fiscal year.
 - b. Apply 50 percent CTF discount on CTF-eligible services subscribed to by RHCPs while awaiting approval for RHC funding for FY 2012 - 13 and beyond, then true-up the CTF discount for that FY.
 - c. Adjust the CTF discount received by RHCPs when RHC funding is received after the issuance of the resolution for funding for FY 2010-11 and FY 2011-12.

28. Within 30 days from the date of issuance of this resolution, CTF participating carriers that have not detariffed should revise their tariffs to reflect that federal support or subsidy must first apply prior to applying the CTF discount on CTF-eligible services subscribed to by CBOs offering Head Start programs and RHCPs.
29. Within 30 days from the date of issuance of this resolution, CTF participating carriers that have detariffed should reflect on their guidebooks, including Internet posting, that federal support or subsidy must first apply prior to applying the CTF discount on CTF-eligible services subscribed to by CBOs offering Head Start programs and RHCPs.
30. Within 90 days from the date of issuance of this resolution, CTF participating carriers should apply the actual E-rate discount received by CBOs offering Head Start programs prior to applying the CTF discount on CTF-eligible services.
31. Within 90 days from the date of issuance of this resolution, CTF participating carriers should deduct any federal funding received by RHCPs first before applying the CTF discount on CTF-eligible services.
32. The implementation of deducting the statewide average E-rate discount before applying the CTF discount will not take effect until July 1, 2012, for CBOs offering Head Start programs that do not apply for E-rate.
33. CTF participating carriers should continue to apply the 50 percent discount on CTF-eligible services for RHCPs that do not apply for RHC funding.
34. The Commission will notify carriers/interested parties concerning the implementation of deducting federal funding prior to applying the CTF discounts for CBOs offering pre-Kindergarten, adult education, juvenile justice programs, or other qualifying FCC/CTF-eligible activities in the future.

IT IS ORDERED THAT:

1. Federal funding or subsidy given to California Teleconnect Fund (CTF) participants for their CTF-eligible services shall first be taken into account prior to applying the CTF discount.

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2. CTF participating carriers shall first apply the actual federal E-rate discount prior to applying the CTF discount to Community based organizations (CBOs) that offer Head Start programs with an actual E-rate discount.
3. CTF participating carriers shall first apply the statewide average E-rate discount developed and updated annually by the Commission effective July 1st prior to applying the CTF discount if the CBO that offers Head Start programs and does not have an actual E-rate.
4. For RHCP, carriers shall:
 - a. Apply 50 percent CTF discount on CTF-eligible services subscribed to by RHCPs that did not apply for RHC funding in a given fiscal year.
 - b. Apply 50 percent CTF discount on CTF-eligible services subscribed to by RHCPs while awaiting approval for RHC funding for FY 2012 -13 and beyond, then true-up the CTF discount for that FY.
 - c. Adjust the CTF discount received by RHCPs when RHC funding is received after the issuance date of this resolution for funding for FY 2010-11 and FY 2011-12.
5. Within 30 days from the date of issuance of this resolution, CTF participating carriers that have not detariffed shall reflect in their tariffs that FCC funding or subsidy shall first apply prior to applying the CTF discount on CTF-eligible services subscribed to by CBOs offering Head Start programs and RHCPS.
6. Within 30 days from the date of issuance of this resolution, CTF participating carriers that have detariffed are required to reflect on their guidebooks, including Internet posting, that FCC funding or subsidy shall first be applied prior to applying the CTF discount on CTF-eligible services subscribed to by CBOs offering Head Start programs and RHCPs.
7. Within 90 days from the date of issuance of this resolution, CTF participating carriers shall apply the actual E-rate discount received by CBOs offering Head Start programs prior to applying the CTF discount on CTF-eligible services.
8. Within 90 days from the date of issuance of this resolution, CTF participating carriers shall deduct any federal funding received by RHCPs first before applying the CTF discount on CTF-eligible services.

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