

**California Teleconnect Fund Administrative Committee  
Annual Report**

**For the Period July 1, 2020 through June 30, 2022**

**Submitted**

**December 12, 2022**

## **Executive Summary**

The California Teleconnect Fund Administrative Committee (CTF-AC or Committee) hereby submits to the California Public Utilities Commission (CPUC or Commission) this annual report describing the Committee's activities for fiscal year (FY) 2020-2022, pursuant to Public Utilities (P.U.) Code section 273(b). During this period, the CTF-AC, spent a significant amount of time recruiting and filling vacancies, with an emphasis on appointing alternates to ensure continuity in the absence of the primary representative. In FY 2021/2022, a total of 13,324 qualified entities – 3,584 K-12 schools, 505 libraries, 97 community colleges, 8,965 community-based organizations, 172 health clinics and government owned hospitals, and 1 telemedicine network – receive CTF discounts on eligible telecommunications services through 77 participating carriers.

## **Background History**

The CPUC established the California Teleconnect Fund (CTF) with CPUC Decision 96-10-066 on October 25, 1996. The CTF provides discounts on eligible telecommunications services for qualifying schools, libraries, municipal and county government-owned and operated hospitals and health clinics, and community-based organizations (CBOs). On May 8, 2003, the CPUC expanded the list of eligible entities to include district-owned and operated hospitals and health clinics (CPUC Resolution T-16742).

In Decision 02-04-059 (April of 2002) the CTF-AC was re-established with nine primary members. The new nine-member CTF-AC includes representatives of diverse constituencies interested in improving the access of underserved California communities to advanced telecommunications services. The CTF-AC functions, pursuant to Public Utilities Code Section 280(a), to advise the Commission regarding the development, implementation, and administration of a program to advance universal service by providing discounted rates for telecommunications services to qualifying schools, libraries, hospitals, health clinics, and community organizations, and to carry out the program under the Commission's direction, control, and approval.

The roster of AC members is provided in Appendix A. The members represent the K-12 education sector; public libraries; public hospitals/clinics; rural clinics/telemedicine; consumer or community-based organizations involved in public access Internet; a local exchange carrier; the Division of Ratepayer Advocates; and deaf/hearing impaired or disabled communities.

The Commission's approval of Resolution T-16742 modified the CTF program rules in significant ways. The resolution expanded eligibility, specifically to community technology centers and hospital districts. It equalized the discount levels and services for all categories of eligible recipients, and specifically included Digital Subscriber Line (DSL) as an eligible service. The resolution also streamlined the application process so that applicants apply for CTF directly through the CPUC Communications Division (CD) rather than through the carrier. Additionally, carriers must now file annual estimates of anticipated program expenditures.

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, requires the Commission apply the CTF discount after applying the federal E-rate discount. As a result, CD released Administrative Letter 10B on June 1, 2006, which requires carriers to apply the CTF discounts as follows:

- (a) CTF participant with pending E-rate application – apply the statewide average E-rate discount before applying the CTF discount to CTF-eligible services until the customer presents the new E-rate discount to the carrier. The E-rate and CTF discounts will be trued-up.
- (b) CTF participant that has not filed for E-rate – apply the statewide average E-rate discount before applying the CTF discount to CTF-eligible services.
- (c) CTF participant that applied for E-rate discount, but denied – apply the 0% E-rate discount documented in the funding commitment letter and 50% CTF discount on CTF-eligible services.
- (d) CTF Participant that is a necessary small school as defined in Section 42283 of the Education Code – apply the 50% CTF discount to CTF-eligible services unless the customer presents the actual E-rate discount. In that case, apply the actual E-rate discount before applying the CTF discount to CTF-eligible services.
- (e) CTF Participant that has been approved for E-rate for the entire fiscal year, but the dollar amount granted is not sufficient to cover all the CTF-eligible services for the entire fiscal period – apply the actual E-rate discount documented in the funding commitment decision letter even if the E-rate funding has been depleted prior to the end of the fiscal period, before applying the 50% CTF discount to CTF-eligible services.

Senate Bill 1716 (Statutes of 2007, Chapter 70) amended certain subsections of Section 884.5 to change the exception for small necessary school to instead make the exception applicable to certain small school district, pursuant to Section 42280 of the Education Code.

In Decision 08-06-020 (June of 2008), the Commission (1) expanded the CTF program to include community colleges, California Telehealth Network and non-profit CBOs providing 2-1-1-Information and Referral Services; (2) expanded the CTF-eligible services to include Internet access via PDA/cell phone, laptop card, or satellite/microwave frequency; (3) allowed broadband providers to provide discounted advanced services if those broadband providers partnered with an entity certificated by or registered with the Commission (i.e. a registered wireless service provider); (4) established the Office of CTF Outreach and Assistance; and (5) removed the CTF tariffing requirements for providers that offer CTF services on a detariffed or non-regulated basis. On November 20, 2008, CD released Administrative Letter No. 16 to implement certain changes set forth in Decision 08-06-020.

In Decision 15-07-007 (July of 2015) the Commission made significant changes to the program, which included restated CTF program goals; created a new eligible subcategory and requirements for Health Care / Health Service CBOs; set new eligibility criteria for participants, service providers and CTF services; established a discount cap for E-rate schools; and retained the percent discount structure. It also reduced CTF discounts on basic voice services from 50% to 25% starting in fiscal year 2016-17.

In Decision 16-04-021 (April of 2016) the Commission set a deadline for implementation of the discount cap for E-rate schools and established a process for exemption from the reduced support for voice services for those entities in unserved and underserved areas.

In Decision 19-04-013 ( April 2019) the Commission addressed a number of program changes addressing Phase 3 issues in CTF proceeding which impacts both service providers and program participants. To note some of key items are: Eliminating CTF support for voice services effective of **July 1, 2019**, expanding CTF eligible services to include all mobile data services, elimination of CTF support on taxes, fees and surcharges and authorizing Commission staff to develop an annual data request from service providers key program aspects and positively technology advancements that will make the application and claims website portal more streamlined.

### **Summary of CTF-AC duties**

According to Section 4.1 of the Charter of the CTF-AC, “the Committee shall act in an advisory capacity to the Commission, which shall have all policy and program decision-making authority.” The CTF-AC’s duties also include submission of a proposed CTF budget to CD before June 1 of each year. The proposed budget shall include estimated program expenditures and the Committee's projected expenses for the fiscal year (July 1 to June 30) of the following year. The Commission adopted the below budget resolution during the report period:

- In Resolution T-17665 issued on November 1, 2019, the Commission adopted a budget of \$107 million for Fiscal Year (FY) 2019-20.

In addition, the CTF-AC must submit a report to the Commission describing the Committee’s activities during the prior fiscal year, on or before October 1 of each year, and advise the Commission regarding the development, implementation and administration of the CTF program.

### **Goals During the Report Period:**

1. Provide input on problems, changes, and advances on technology issues for telecommunications/internet services particularly in underserved communities.

2. Continue to review claim disbursement dollars at all meetings and to assess trends that could be of concern to committee members relative to segment needs and the ability of the fund to support those needs.
3. Advise the CPUC in fiscal, strategic, tactical, technical, and operational items related to the CTF program.
4. Provide analysis and comments on proposed changes and modifications to the CTF program.
5. Monitor legislative, CPUC and FCC activities that may impact the CTF program.

### **Accomplishments During the Report Period:**

1. Spent a significant amount of time bringing new members of the CTF-AC up to speed with the program, administration, available data for program analysis in order to move forward to fulfill its function as an advisory board to advise the Commission regarding the implementation and administration of the program.
2. Advocated for the support and budgeting of the CTF program to meet program goals and objectives.
3. At the direction of the CTF-AC, Commission staff are now providing clearer and relevant reports regarding CTF applications and program financial information to assist the Committee in providing strategic direction for the program.
4. Actively recruited alternates committee alternates to ensure continuity in the absence of the primary representative.
5. Alternated meeting locations between Sacramento and San Francisco to increase participation, and investigating hybrid options for meeting in-person and virtually.

### **Significant Program Changes During Report Period**

July 2018      The Commission adopted Resolution T-17606 which adopted a California Teleconnect Fund program surcharge rate of 0.78%, effective September 1, 2018, until further revised by the California Public Utilities Commission. All telecommunications carriers shall reduce the California Teleconnect Fund surcharge rate assessed on revenues collected from end-users for intrastate telecommunications services subject to surcharge from 1.08% to 0.78% effective September 1, 2018, and thereafter.

April 2019 The Commission adopted Decision 19-04-013 which addressed the remaining issues in Phase 3 of the proceeding regarding program design, implementation, and administration of the California Teleconnect Fund (CTF). This decision makes changes and other refinements to clarify program aspects for both carriers and CTF program participants.

### **April 2020**

#### **California Teleconnect Fund - Covid-19 Distance Learning Initiative**

On April 10, CPUC CD staff reached out to several wireless providers to inquire if they would be interested in participating in a California Teleconnect Fund - Covid-19 Distance Learning Initiative. The goal of the program is to provide mobile hotspots and other alternate mobile broadband data services to K-12 School Districts throughout the state. Under this initiative, the California Department of Education provides the devices and participating wireless providers will provide the CTF 50% discount on mobile data services to School Districts that have students who do not have access to broadband/data services in their homes. This initiative will serve as a bridge to fill the gap to provide data services to that pool of students, so they are able to participate in virtual classes and distance learning activities. The program will start retroactively from April 1, 2020 and run until December 31, 2020 and has a budget of \$25M.

**Update as of April 2021:** CTF was able to approve discounts for over 100,000 connections for purchase by 412 public school districts. Great success in providing a solution during Covid and also the impacts ran deep.

September 2021 The Commission introduced Rulemaking 2009001 to accelerate the deployment of and access to quality, affordable internet for all Californians in response to California Governor Gavin Newsom issued Executive Order (E.O.) N-73-201 on August 14, 2020 directing state agencies to bridge the digital divide, which subsequently created the CTF-\$1M account to assist in those efforts.

### **January 2022**

The CTF Program has resumed recertification of participant eligibility. The CPUC requires all California Teleconnect Fund (CTF) participants to periodically recertify their eligibility. The CPUC aims to recertify community-based organizations every three years and all other participants every five years. However, participants are not required to recertify until they receive a Recertification Notice from the CTF program.

## Changes in CTF Administrative Committee Representatives

There were a number of new representatives that joined the Committee during this period. Also, the committee has a significant number of vacant alternative committee representative positions, which the primary members are working to fill. As of June 30, 2022, the committee representatives are:

Sector	Primary Members	Affiliation	Alternate Members	Affiliation
Education	Geoff Belleau	CA Department of Education	Alison Dias	CA Department of Education
Public Libraries	Jarrid Keller	Sacramento Public Library	Vacant	
Public Hospitals/Clinics	Vacant		Vacant	
Rural Clinics/Telemedicine	Vacant		Vacant	
Consumer Organizations	Vinhcent Le	Green Lining	Casey McFall	Campaign for Social Justice
CBO Involved in Public Access Internet	Sean McLaughlin	Access Humboldt	Vacant	
LECs	Saira Pasha	AT&T		
Public Advocates Office	Kate Beck	CPUC	Victor Smith	CPUC
Deaf/Hearing Impaired or Disabled	Kenneth Rothschild		Vacant	Mussie Gebre

## Issues and Concerns

1. Conflict of interest issues regarding the applicability and interpretation of California Government Code section 1090 prevented certain Committee members from voting on proposed budgets during this timeframe.
2. Federal E-rate program linkage continues to be a complex issue, especially with regard to reconciliation of telecommunication bills.
3. Should community colleges have representation on the committee.
4. Outreach to all eligible entities continued to be a Committee concern. The Committee believes work is needed in the coming year once the new eligibility and recertification requirements are implemented.
5. There should be an adequate level of CD staffing to ensure the goals of the program are met for the work of audits, application and claim processing, and outreach.

6. Program automation deficiencies hinders CD's ability to provide information to ad-hoc requests from the Administrative Committee and thus impacts the Committee's ability to provide meaningful input to assist the Commission in the development, implementation and administration of the program. However, the Commission has made progress with the future development of the Program Claims Management System (PCMS) which will manage claims reimbursements for six Public Purpose Programs overseen by the CPUC and automate the electronic intake, routing, tracking, disposition, and status of documents –including CTF claims & applications

In the absence of PCMS, staff have been able to expand reporting capabilities and provide the CTF-AC reports regarding Applications Received (count, approved, ineligible, pending) Recertification status, CTF Local Assistance Budget vs. Claim Projections and Payments, and Fund Reconciliation.

7. Lack of public participation at Administrative Committee meetings is an on-going concern, and efforts are needed to encourage public participation and provide input.
8. As a result of OIR Phase 3 decisions, outreach will need to be done to all sectors to effectively communicate program changes to ensure eligible participants remain enrolled in the program, and understand requirements for eligible services.
9. CTF-AC Charter needs to be updated to more accurately reflect goals, values, and mission of the program.