

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Telecommunications BranchRESOLUTION NO. T-12014
April 8, 1987R E S O L U T I O N

SUBJECT: ALL TELECOMMUNICATION UTILITIES. ORDER AUTHORIZING A TAX INCREASE ON THE GROSS REVENUES OF INTERLATA SERVICE SUPPLIERS FROM 1.5% TO 4% TO SUPPORT THE UNIVERSAL LIFELINE TELEPHONE SERVICE (ULTS) PROGRAM. THIS RESOLUTION ALSO ORDERS HEARINGS TO CONSIDER IMPOSING THE LIFELINE TAX ON INTRASTATE INTRALATA SERVICES AND/OR INTERSTATE SERVICES TO MEET THE ANTICIPATED ULTS FUND DEFICIENCIES.

WHEREAS: Section 44041 of the Revenue and Taxation Code, Section 3 of the Universal Telephone Service Act (Act), requires the Commission to determine annually on or before May 1, a tax rate that it estimates will produce sufficient revenue for the Universal Telephone Service Fund from July 1 of the current calendar year to June 30 of the succeeding calendar year, and that in no event shall the rate of tax exceed 4 percent of the gross revenues received by a service supplier.

Several major changes were made to the Universal Lifeline Telephone Service (ULTS) Program in the last two quarters of the current fiscal year, 1986-1987:

- (1) the FCC end user charge allowance as mandated by AB 3288
- (2) the flat rate option in measured rate exchanges also mandated by AB 3288
- (3) the \$0.25 per month credit towards the maintenance/repair of inside wire as ordered in Resolution T-11099.

Because of these changes we expect the total ULTS Program expenses to reach \$155.3 million in fiscal year 1987-1988, approximately a 75% increase over the current fiscal year's expenses of approximately \$89.5 million.

Sufficient revenues must be generated to cover the projected expenses in the next fiscal year. On an accrual basis, we estimate the ending ULTS fund balance at the end of this current fiscal year will be \$33 million. Further, the application of the lifeline tax is currently limited to interLATA services and services not defined by LATA boundaries; this limitation is imposed by Commission order, Decision 84-11-028. Given this limited application of the lifeline tax, approximately \$36.8 million in revenues would result if the current 1.5% tax rate is retained. This is hardly enough revenues to cover the projected expenses for the next fiscal year. Given the same limited application of the lifeline tax, approximately \$98 million in revenues would result from a 4% tax rate, the maximum rate allowed for by the Act. We estimate that a ULTS fund deficit of \$23.6 million will result at end of the next fiscal year if we raised the lifeline tax to 4% and if no additional action was taken by this Commission to expand the application of a lifeline tax on other categories of telecommunications services.

In accordance with the Act, it is the Commission's responsibility to ensure that sufficient revenues are generated to cover the expenses of the ULTS Program. In this respect, a ULTS fund deficit is unacceptable. Therefore we believe it is appropriate to raise the current lifeline tax applied to intrastate interLATA services and intrastate telecommunications services not defined by LATA boundaries from 1.5% to 4%, the maximum tax rate allowed for by the Act. Additionally, since we believe this 4% tax still would result in a ULTS fund deficit at the end of the next fiscal year, we find it necessary to order hearings in OII 83-11-05 to reconsider D.84-11-028, which limits the application of a lifeline tax to the gross revenues of intrastate interLATA service providers and the gross revenues of providers of telecommunications services not defined by LATA boundaries. These hearings should examine the following:

- 1) Should a lifeline tax be applied to intrastate intraLATA telecommunications services? If so, which intraLATA services should be taxed? Should these services be taxed at a rate different from that applied to intrastate interLATA services and services not defined by LATA boundaries?
- 2) Should a lifeline tax be applied to the gross revenues from interstate telecommunications services?
- 3) Other issues related to ULTS as necessary.

The Commission finds that the rates, charges and conditions authorized in this Resolution are just and reasonable and present rates, charges and conditions, as they differ from the rates, charges and conditions authorized in this Resolution are for the future unjust and unreasonable; and good cause appearing,

IT IS ORDERED that:

(1) To fund the Universal Lifeline Telephone Service Program, a tax rate of 4 percent shall be imposed on every service supplier in the state applicable to the gross revenues from intrastate interLATA telecommunications services and intrastate telecommunications services not defined by LATA boundaries; this tax rate shall be effective from July 1, 1987 through June 30, 1988.

(2) All telecommunications utilities subject to the tax shall file revised tariff schedules in accordance with the provisions of G.O. 96-A on or before June 1, 1987 and shall become effective on July 1, 1987; the revised tariff sheets shall be marked to show that they were authorized by Resolution of the Public Utilities Commission of the State of California No. T-12014.

(3) The staff is directed to propose amendments to OII 83-11-05 in order to hold hearings to consider the following:

- a) Should a lifeline tax be applied to the gross revenues of intrastate intralATA services? If so, which intralATA services should be taxed? Should these services be taxed at a rate different from that applied to intrastate interLATA services and services not defined by LATA boundaries?
- b) Should a lifeline tax be applied to the gross revenues from interstate telecommunications services?
- c) Other issues related to Universal Lifeline Telephone Service as necessary.

(4) The Executive Director is ordered to send a copy of this resolution to all certified California telephone local exchange, cellular, radio telephone and interLATA carriers, all of which will be made respondents to OII 83-11-05 when it is amended and to Assembly member Gwen Moore who carried the original Universal Lifeline Telephone Service legislation.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 8, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director