

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Advisory and Compliance Division
Telecommunications Branch

RESOLUTION T-15801
Date October 5, 1995

R E S O L U T I O N

RESOLUTION T-15801. ALL TELECOMMUNICATIONS UTILITIES.
ORDER RAISING THE DEAF EQUIPMENT ACQUISITION FUND
(D.E.A.F.) SURCHARGE TO 0.36% BEGINNING JANUARY 1, 1996.

SUMMARY

This Resolution orders all telecommunications utilities to raise the D.E.A.F. surcharge from 0.3% to 0.36% (0.0036) on intrastate customer bills for billing cycles beginning January 1, 1996. This increase is necessary to cover the ongoing expenses of the program. The subscriber surcharge funding for this program is mandated by Public Utilities (P.U.) Code section 2881(d).

Since 1993, the Deaf and Disabled Telecommunications Program (DDTP) has collected less in revenue than it has spent in expenses, steadily reducing the fund balance. This deficit was initially necessitated by the fund balance cap established by Assembly Bill (AB) 1430 (1991) of six months of projected operating expenses. The fund balance is currently below the cap established by AB 1430 and further reduction would lower the fund balance below adequate levels.

The D.E.A.F. surcharge applies to subscribers' intrastate telephone service, except access charges paid by other carriers, monthly basic service charge of Universal Lifeline Telephone Service customers, coin-sent paid calling charges, or charges for services under contracts executed prior to September 15, 1994.

BACKGROUND

The California Public Utilities Commission (Commission) established the DDTP in compliance with Senate Bill (SB) 597 (1979), SB 244 (1983) and SB 60 (1985). The DDTP is funded from a surcharge collected by all telecommunications utilities from their customers and remitted to a public trust fund called the D.E.A.F. Trust.

Originally, the D.E.A.F. Trust was funded by a fixed per line surcharge. Because of a funding crisis in 1987 and 1988, SB 2268 directed the Commission to establish a rate recovery mechanism through a surcharge of not more than one half of one percent (0.5%) on a subscribers total intrastate service until July 1, 1990. The surcharge funding mechanism has been extended by a series of bills. The latest of these bills, AB 3610

Resolution T-15801

Deaf and Disabled Telecommunications Program Surcharge/bpr

(1994), extended the all end user surcharge funding system until 1997. The Commission is charged with reviewing the surcharge annually to ensure that programs are adequately funded and that the fund balance is not excessive. (P.U. Code 2881(f)).

Since 1993, the DDTP has operated with a deficit budget in order to comply with a statutory limit on the D.E.A.F. Trust fund. Assembly Bill (AB) 1430 (1991) capped the D.E.A.F. Trust fund at six months of projected operating expenses. In early 1993 the DDTP found that its fund balance was well in excess of the statutory cap. Resolution T-15254 dated March 24, 1993 temporarily reduced the D.E.A.F. surcharge from 0.3% to 0.2% for six months from July 1, 1993 to December 31, 1995 in order to draw the fund below the statutory cap.

In a letter dated June 13, 1995 addressed to the Commission's Executive Director, the Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC) Chairman requested that the Commission raise the D.E.A.F. surcharge from 0.3% to 0.4% to cover increasing expenses. In addition, the DDTPAC requested authority to increase the surcharge up to the statutory limit of 0.5% automatically, without explicit Commission approval.

DISCUSSION

Since 1993, the DDTP's expenses have exceeded its revenues. This deficit spending was necessary in order to draw the D.E.A.F. trust fund below the statutory cap of six months worth of operating expenses. Now that the fund is well below the cap, the surcharge should be set to raise sufficient funds to cover the budget. At the same time, the program's expenses have been growing at a rate of over 6% per year between 1990 and 1994.

The DDTP's 1996 budget has been adopted by the DDTPAC, but not yet approved by the Commission. However, we believe the budget will be in the range of \$45.5 to \$41.6 million. The DDTPAC has adopted a budget of \$45.5 million, while a continuation of spending trends since 1990 suggests a budget of \$41.6 million. The DDTPAC adopted budget anticipates \$1.1 million in revenue from non-surcharge sources. Covering this range of expenses would require a surcharge between 0.36% and 0.34% based on an expected 1996 statewide billing base of \$12,300 million.

The DDTP's fund balance is expected to be \$15.6 million by the beginning of 1996. This represents less than four months of projected expenses. If the Commission does not raise the surcharge, the fund balance will fall below three months worth of projected expenses--the minimum adequate reserve for the program--by the end of 1996. For this reason we are adopting a surcharge level of 0.36% to ensure that the program will cover all of its likely expenses.

The DDTP requested a 0.1% increase in the surcharge from 0.3 to 0.4%. We believe that this level of surcharge may result in over collection, possibly raising the fund balance over the

Resolution T-15801

Deaf and Disabled Telecommunications Program Surcharge/bpr

statutory cap by the end of 1996. The DDTP made this suggestion in part based on a recommendation of CACD that some telecommunications carriers would have difficulty billing surcharges at the hundredth of a percent level. After contacting carriers that were previously unable to bill in the hundredths of a percent, all carriers indicated that they could now bill surcharges in the hundredth of a percent.

In addition to asking for an increase in the surcharge, the DDTP requested authority to raise the surcharge up to 0.5% without prior Commission approval. The Commission is unable to grant this authority to the DDTP since the P.U. Code Section 2881(f) expressly charges the Commission with reviewing the surcharge and changing the levels to meet program needs.

FINDINGS

1. The DDTPAC advised the Commission that the fund balance in the D.E.A.F Trust was projected to be \$15.6 million by the end of 1995. This fund balance is below the cap established by AB 1430.
2. The current surcharge 0.3% does not cover current expenses and is not expected to cover expenses in 1996.
3. With no increase in the surcharge, continued deficit spending will reduce the D.E.A.F. fund balance below an adequate reserve by late 1996.
4. The 1996 D.E.A.F. Trust budget has been adopted by the DDTPAC, but not yet approved by the Commission. However, the budget is expected to range between \$45.5 million and \$41.6 million.
5. A surcharge of 0.36% on all telecommunications carriers with a total billing base of \$12,300 million will raise \$44.3 million for the DDTP.

THEREFORE, IT IS ORDERED that:

1. All telecommunications utilities: local exchange companies, competitive local carriers, interexchange carriers and resellers, cellular radiotelephone carriers and resellers, and radio telephone utilities, shall implement a Deaf Equipment Acquisition Fund Trust Surcharge rate of 0.36% for billing cycles beginning January 1, 1996. (One way paging has been exempted from the definition of telecommunications utilities by Assembly Bill 202 (1995).)
2. The Deaf Equipment Acquisition Fund Trust surcharge (0.36% from January 1, 1996 until further order) shall be applied to all telecommunication utility subscribers' intrastate tariffed services, both within a service area and between service areas. The surcharge will be identified as "California Relay Service and communications device fund."

Resolution T-15801

Deaf and Disabled Telecommunications Program Surcharge/bpr

3. The Deaf Equipment Acquisition Fund Trust surcharge shall not be imposed on any telecommunications services for interconnection or access or to any services purchased by utilities for resale to the public.
4. The Deaf Equipment Acquisition Fund Trust surcharge shall not apply to Universal Lifeline Telephone Service rates.
5. The Deaf Equipment Acquisition Fund Trust surcharge shall not apply to coin-sent paid calling.
6. The Deaf Equipment Acquisition Fund Trust surcharge shall not apply to taxes or to the following surcharges:
 1. Public Utilities Commission Reimbursement Account fees (P.U. Code Section 431)
 2. Universal Lifeline Telephone Service surcharge (P.U. Code Section 879)
 3. California High Cost Fund surcharge (P.U. Code 739.3)
 4. Federal Communications Commission Network Access Charges for interstate calling.
7. Each telecommunications utility shall file a single advice letter to implement the 0.36% surcharge for billing cycles beginning January 1, 1996 and until further order of the Commission. Such advice letter shall be filed prior to the implementation of the new surcharge and shall be effective on regular notice.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 5, 1995. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Acting Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
Commissioners

I abstain.

/s/ JOSIAH L. NEEPER
Commissioner