

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

**Communications Division  
Broadband, Video and Market Branch**

**RESOLUTION T-17709  
October 22, 2020**

**R E S O L U T I O N**

**Resolution T-17709 - Approval of the California Advanced Services  
Surcharge Rate Increase from 0.56% to 1.019% effective December 1, 2020,  
and until December 30, 2022 or further revision by the California Public  
Utilities Commission**

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**SUMMARY**

This resolution adopts a surcharge rate of 1.019% for the California Advanced Services Fund (CASF)<sup>1</sup> effective December 1, 2020, and until December 31, 2022 or further revision by the California Public Utilities Commission (Commission). All regulated telecommunication carriers and interconnected Voice over Internet Protocol (VOIP) service providers shall revise the CASF surcharge rate from 0.56% to 1.019% on revenues collected from end-users of intrastate telecommunications services subject to surcharge effective December 1, 2020, and until December 31, 22 or further revision by the Commission.

**BACKGROUND**

Pursuant to Assembly Bill (AB) 1665,<sup>2</sup> the Commission has the authority to collect up to \$330 million for CASF, in an amount not to exceed \$66 million per year, beginning with calendar year (CY) 2018 through CY 2022. The Commission collects funds for CASF

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<sup>1</sup> More background and historical information about the CASF program is available at <https://www.cpuc.ca.gov/casf/>.

<sup>2</sup> AB 1665 (Garcia) Stats. 2017 Ch. 851, amending Public Utilities (Pub. Util.) Codes, §§ 281, 912.2, and 914.7. AB 1665 is codified at Pub. Util. Code, § 281.

through a surcharge assessed on end-user charges billed for intrastate telecommunications services subject to surcharge. In Resolution T-17593, the Commission adopted a surcharge rate of 0.56% effective March 1, 2018 to collect the CASF funds.<sup>3</sup> The CASF was expected to collect \$55 million in CY 2018, and \$66 million in each of years 2019-2022 for a total of \$319 million.<sup>4</sup>

**DISCUSSION**

In this resolution, the Commission adopts a CASF surcharge rate increase from 0.56% to 1.019% effective December 1, 2020, and until December 31, 2022 or further revision by the Commission. The 1.019% surcharge rate is expected to collect a surcharge revenue of no more than \$66 million per year.

Pursuant to Resolution T-17593, for the period of March 1, 2018 through June 30, 2020, CASF was expected to collect a total surcharge revenue of approximately \$154 million. However, the intrastate telecommunications revenue for services subject to surcharge has declined significantly in recent years, resulting in lower surcharge revenue collected for the CASF.<sup>5</sup> For the period of March 1, 2018 through June 30, 2020, CASF experienced a revenue shortfall in excess of \$53 million as specified in Table 1 below:

**Table 1: CASF Surcharge Revenue from March 2018 through June 2020**

<b>CASF Surcharge Revenue from March 2018 through June 2020 (\$000)</b>	<b>Expected Revenue / Resolution T-17593</b>	<b>Actual Surcharge Revenue</b>
March 2018-June 2018	\$22,000	\$16,393
July 2018-June 2019	\$66,000	\$46,004
July 2019-June 2020	\$66,000	\$37,662
Total	\$154,000	\$100,059
<b>Revenue Shortfall</b>		<b>\$53,941</b>

<sup>3</sup> The CASF surcharge rate has been revised periodically pursuant to changes in legislation and economic circumstances). Historical CASF surcharge rates are available online at: <https://www.cpuc.ca.gov/surchargesfeestaxes/>.

<sup>4</sup> \$15 million was over-collected before the surcharge revision was implemented in 2016. See Resolution T-17593.

<sup>5</sup> Total reported intrastate revenue subject to surcharge was \$10.027 billion in 2018 and \$7.370 billion in 2019.

Under the current status quo, Staff projects the revenue shortfall would continue to increase to as much as \$115 million by the end of 2022, which would have a significant negative impact on CASF’s goal of extending broadband access to no less than 98% of California households in each consortia region. To alleviate the situation, Staff recommends the CASF surcharge rate be increased from 0.56% to 1.019%. The revised surcharge rate would collect no more than \$66 million of surcharge revenue per year, which is consistent with AB 1665 requirements. Table 2, below, compares the expected surcharge revenue for the period of July 1, 2020 through December 31, 2022 under the current surcharge rate of 0.56% vs. the proposed rate of 1.019%, effective December 1, 2020.

**Table 2: CASF Surcharge Revenue Comparison**

<b>CASF, Projected Surcharge Revenue (\$000)</b>	<b>CASF Surcharge Rate at 0.56%</b>	<b>CASF Surcharge Rate at 1.019% Eff. 12/1/2020</b>
FY 2020-21	\$36,299	\$53,655
FY 2021-22	\$36,251	\$65,964
FY 2022-23 (Jul-Dec 2022)	\$18,126	\$32,982
Total	\$90,676	\$152,601

Staff’s proposed surcharge rate increase would halt the continuing revenue shortfall. Instead of a revenue shortfall<sup>6</sup> of \$115 million by the end of 2022, the proposed surcharge rate increase would result in a shortfall of \$53 million.<sup>7</sup>

**ADVICE LETTER FILING**

Consistent with Resolution T-16901, approved December 2, 2004, AT&T (formerly SBC California) should file an advice letter on or before November 9, 2020, to modify the CASF surcharge rate from 0.56% to 1.019%, effective December 1, 2020, and until December 31, 2022 or further revision by the Commission. Further, all telephone corporations and interconnected VoIP service providers shall revise the CASF surcharge rate assessed on revenues collected from end-users for intrastate

<sup>6</sup> Since AB 1665 limits CASF annual surcharge collection to no more than \$66 million per year, this accumulated revenue shortfall cannot be recovered unless the sunset date is extended beyond December 31, 2022 or unless increasing the surcharge rate would not result in an increase in the total amount of all surcharges collected from customers that year.

<sup>7</sup> This is derived from \$53 million revenue shortfall as of June 30, 2020 plus \$62 million from July 1, 2020 through December 30, 2022, i.e. the difference of expected revenue between surcharge rate of 0.56% and 1.019% (\$152 million minus \$90 million).

telecommunications services subject to surcharge, from 0.56% to 1.019%. AT&T is not required to inform competing carriers of tariff changes which comply with this resolution.

### **SAFETY CONSIDERATIONS**

The CASF provides subsidies for the deployment of high-quality advanced broadband infrastructure throughout the state of California. Broadband infrastructure is vital to the operation and management of critical infrastructure and public safety and emergency response networks.

### **COMMENTS ON DRAFT RESOLUTION**

In compliance with Pub. Util. Code, § 311 (g), a notice letter was emailed on September 18, 2020, informing all telecommunications carriers and interested parties on the CASF Distribution List regarding the availability of this draft resolution for public comments on the Commission's documents website, <http://www.cpuc.ca.gov/documents/>. This letter also informed parties that the final conformed Resolution adopted by the Commission will be posted and available at the same website.

### **FINDINGS**

1. Pursuant to AB 1665, the Commission is authorized to collect up to \$330 million beginning January 1, 2018 through the 2022 calendar year, in an amount not to exceed \$66 million per year.
2. In Resolution T-17593, the Commission adopted a CASF surcharge rate of 0.56% effective March 1, 2018. The CASF was expected to collect \$55 million in CY 2018, and \$66 million in each of years 2019-2022 for a total of \$319 million.
3. Due to the significant decline of intrastate telecommunications revenue for services subject to surcharge in recent years, CASF experienced a revenue shortfall in excess of \$53 million for the period of March 1, 2018 through June 30, 2020.
4. To alleviate the continuing growth of revenue shortfall, Staff proposes an increase of CASF surcharge rate from 0.56% to 1.019%. This proposed rate increase would collect no more than \$66 million a year for CASF.

5. Staff's proposed increase of surcharge rate is consistent with AB 1665 requirements and should be adopted.
6. All telecommunications carriers and interconnected VoIP service providers should revise the CASF surcharge rate assessed on intrastate telecommunications service revenues to 1.019%, effective December 1, 2020, and until December 30, 2022 or further revision by the Commission.
7. In accordance with Resolution T-16901, dated December 2, 2004, AT&T should file an advice letter with the Communications Division by November 9, 2020, modifying the CASF surcharge rate from 0.56% to 1.019% effective December 1, 2020, and until December 30, 2022 or further revision by the Commission.
8. On September 18, 2020, a notice letter was emailed to all telecommunications carriers and interested parties on the CASF Distribution List regarding the availability of this draft resolution and the conformed resolution, when adopted by the Commission, on the Commission's website.

**THEREFORE, IT IS ORDERED that:**

1. The CASF surcharge rate shall be increased from 0.56% to 1.019%, effective December 1, 2020, and until December 31, 2022 or further revision by the Commission.
2. AT&T shall file an advice letter with the Communications Division by November 9, 2020, modifying the surcharge rate for the California Advanced Services Fund from 0.56% to 1.019%, effective December 1, 2020, and until December 31, 2022 or further revision by the Commission.
3. All certificated telecommunications carriers shall revise the CASF surcharge rate from 0.56% to 1.019% on their respective end-user charges billed for intrastate telecommunications services subject to surcharge beginning December 1, 2020, and until December 31, 2022 or further revision by the Commission.

This Resolution is effective today.

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

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Rachel Peterson  
Acting Executive Director