

AMENDED IN ASSEMBLY MARCH 27, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 140

Introduced by Assembly Member Strom-Martin

January 24, 2001

An act to amend, repeal, and add Sections 270, 275, 276 of, and to add and repeal Section 276.5 of, the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 140, as amended, Strom-Martin. Rural telecommunications infrastructure: grants.

(1) Existing law creates the High-Cost Fund-A Administration Committee and the High-Cost Fund-B Administrative Committee to advise the Public Utilities Commission regarding programs to provide for transfer payments to telephone corporations providing services in high cost areas and to carry out the programs under the commission's authority.

This bill would, under the Public Utilities Act, until January 1, 2006, also establish a grant program for the construction of telecommunications infrastructure, as prescribed.

The bill would provide that the corporations receiving transfer payments shall continue to be fully reimbursed for the costs they are entitled to recover.

Under the bill, the funding for the grant program would be from the existing California High-Cost Fund-A Administrative Committee Fund or the High-Cost Fund-B Administrative Committee Fund, or both, up to a specified annual limit, as determined by the commission. The bill

would require the commission to award grants, as specified. The bill would require the commission to establish a working group to develop technical criteria for evaluating the grants. Because, under the act, a violation of these provisions would be a crime, this bill would impose a state-mandated local program by creating new crimes.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 270 of the Public Utilities Code is
2 amended to read:

3 270. (a) The following funds are hereby created in the State
4 Treasury:

5 (1) The California High-Cost Fund-A Administrative
6 Committee Fund.

7 (2) The California High-Cost Fund-B Administrative
8 Committee Fund.

9 (3) The Universal Lifeline Telephone Service Trust
10 Administrative Committee Fund.

11 (4) The Deaf and Disabled Telecommunications Program
12 Administrative Committee Fund.

13 (5) The Payphone Service Providers Committee Fund.

14 (6) The California Teleconnect Fund Administrative
15 Committee Fund.

16 (b) Moneys in the funds may only be expended pursuant to this
17 chapter and upon appropriation in the annual Budget Act.

18 (c) Moneys in each fund may not be appropriated, or in any
19 other manner transferred or otherwise diverted, to any other fund
20 or entity, except as provided for in Sections 276 and 276.5.

21 (d) On or before July 1, 2000, the Public Utilities Commission,
22 in consultation with the Department of Finance, shall report to the
23 Governor and the Legislature regarding a transition plan for
24 programs associated with funds to be established within the State

1 Treasury, as specified in subdivision (a). The transition plan report
2 shall include information regarding the annual revenue to be
3 deposited in, and the annual estimated expenditure for, each fund
4 specified in subdivision (a). Advisory committees created by
5 Sections 275, 276, 277, 278, 279, and 280 shall provide
6 information and input to the commission in development of the
7 specified transition plan.

8 (e) This section shall remain in effect only until January 1,
9 2006, and as of that date is repealed, unless a later enacted statute,
10 that is enacted before January 1, 2006, deletes or extends that date.

11 SEC. 2. Section 270 is added to the Public Utilities Code, to
12 read:

13 270. (a) The following funds are hereby created in the State
14 Treasury:

15 (1) The California High-Cost Fund-A Administrative
16 Committee Fund.

17 (2) The California High-Cost Fund-B Administrative
18 Committee Fund.

19 (3) The Universal Lifeline Telephone Service Trust
20 Administrative Committee Fund.

21 (4) The Deaf and Disabled Telecommunications Program
22 Administrative Committee Fund.

23 (5) The Payphone Service Providers Committee Fund.

24 (6) The California Teleconnect Fund Administrative
25 Committee Fund.

26 (b) Moneys in the funds may only be expended pursuant to this
27 chapter and upon appropriation in the annual Budget Act.

28 (c) Moneys in each fund may not be appropriated, or in any
29 other manner transferred or otherwise diverted, to any other fund
30 or entity.

31 (d) On or before July 1, 2000, the Public Utilities Commission,
32 in consultation with the Department of Finance, shall report to the
33 Governor and the Legislature regarding a transition plan for
34 programs associated with funds to be established within the State
35 Treasury, as specified in subdivision (a). The transition plan report
36 shall include information regarding the annual revenue to be
37 deposited in, and the annual estimated expenditure for, each fund
38 specified in subdivision (a). Advisory committees created by
39 Sections 275, 276, 277, 278, 279, and 280 shall provide

1 information and input to the commission in development of the
2 specified transition plan.

3 (e) This section shall become operative on January 1, 2006.

4 SEC. 3. Section 275 of the Public Utilities Code is amended
5 to read:

6 275. (a) There is hereby created the California High-Cost
7 Fund-A Administrative Committee, which is an advisory board to
8 advise the commission regarding the development,
9 implementation, and administration of a program to provide for
10 transfer payments to small independent telephone corporations
11 providing local exchange services in high-cost rural and small
12 metropolitan areas in the state to create fair and equitable local rate
13 structures, as provided for in Section 739.3, the development of a
14 grant program for the construction of telecommunications
15 infrastructure as set forth in Section 276.5, and to carry out the
16 programs pursuant to the commission's direction, control, and
17 approval.

18 (b) All revenues collected by telephone corporations in rates
19 authorized by the commission to fund the program specified in
20 subdivision (a) shall be submitted to the commission pursuant to
21 a schedule established by the commission. The commission shall
22 transfer the moneys received to the Controller for deposit in the
23 California High-Cost Fund-A Administrative Committee Fund.
24 All interest earned by moneys in the fund shall be deposited in the
25 fund. Any unexpended revenues collected prior to the operative
26 date of this section shall be submitted to the commission, and the
27 commission shall transfer those moneys to the Controller for
28 deposit in the California High-Cost Fund-A Administrative
29 Committee Fund.

30 (c) Moneys appropriated from the California High-Cost
31 Fund-A Administrative Committee Fund to the commission shall
32 be utilized exclusively by the commission for the programs
33 specified in subdivision (a), including all costs of the board and the
34 commission associated with the administration and oversight of
35 the program and the fund.

36 (d) Telephone corporations receiving transfer payments for
37 providing local exchange services in high-cost areas in the state
38 under the program established to create fair and equitable local rate
39 structures as provided for in Section 739.3 shall continue to be



1 fully reimbursed for the costs they are entitled to recover pursuant
2 to commission Decision 96-10-066.

3 (e) This section shall remain in effect only until January 1,
4 2006, and as of that date is repealed, unless a later enacted statute,
5 that is enacted before January 1, 2006, deletes or extends that date.

6 SEC. 4. Section 275 is added to the Public Utilities Code, to
7 read:

8 275. (a) There is hereby created the California High-Cost
9 Fund-A Administrative Committee, which is an advisory board to
10 advise the commission regarding the development,
11 implementation, and administration of a program to provide for
12 transfer payments to small independent telephone corporations
13 providing local exchange services in high-cost rural and small
14 metropolitan areas in the state to create fair and equitable local rate
15 structures, as provided for in Section 739.3, and to carry out the
16 program pursuant to the commission's direction, control, and
17 approval.

18 (b) All revenues collected by telephone corporations in rates
19 authorized by the commission to fund the program specified in
20 subdivision (a) shall be submitted to the commission pursuant to
21 a schedule established by the commission. The commission shall
22 transfer the moneys received to the Controller for deposit in the
23 California High-Cost Fund-A Administrative Committee Fund.
24 All interest earned by moneys in the fund shall be deposited in the
25 fund. Any unexpended revenues collected prior to the operative
26 date of this section shall be submitted to the commission, and the
27 commission shall transfer those moneys to the Controller for
28 deposit in the California High-Cost Fund-A Administrative
29 Committee Fund.

30 (c) Moneys appropriated from the California High-Cost
31 Fund-A Administrative Committee Fund to the commission shall
32 be utilized exclusively by the commission for the program
33 specified in subdivision (a), including all costs of the board and the
34 commission associated with the administration and oversight of
35 the program and the fund.

36 (d) This section shall become operative on January 1, 2006.

37 SEC. 5. Section 276 of the Public Utilities Code is amended
38 to read:

39 276. (a) There is hereby created the California High-Cost
40 Fund-B Administrative Committee, which is an advisory board to

1 advise the commission regarding the development,
2 implementation, and administration of a program to provide for
3 transfer payments to telephone corporations providing local
4 exchange services in high-cost areas in the state to create fair and
5 equitable local rate structures, as provided for in Section 739.3,
6 and the development of a grant program for the construction of
7 telecommunications infrastructure as set forth in Section 276.5,
8 and to carry out the programs pursuant to the commission's
9 direction, control, and approval.

10 (b) All revenues collected by telephone corporations in rates
11 authorized by the commission to fund the program specified in
12 subdivision (a) shall be submitted to the commission pursuant to
13 a schedule established by the commission. The commission shall
14 transfer the moneys received to the Controller for deposit in the
15 California High-Cost Fund-B Administrative Committee Fund.
16 All interest earned by moneys in the fund shall be deposited in the
17 fund. Any unexpended revenues collected prior to the operative
18 date of this section shall be submitted to the commission, and the
19 commission shall transfer those moneys to the Controller for
20 deposit in the California High-Cost Fund-B Administrative
21 Committee Fund.

22 (c) Moneys appropriated from the California High-Cost
23 Fund-B Administrative Committee Fund to the commission shall
24 be utilized exclusively by the commission for the programs
25 specified in subdivision (a), including all costs of the board and the
26 commission associated with the administration and oversight of
27 the programs and the fund.

28 (d) Telephone corporations receiving transfer payments for
29 providing local exchange services in high cost areas in the state
30 under the program established to create fair and equitable local rate
31 structures as provided for in Section 739.3 shall continue to be
32 fully reimbursed for the costs they are entitled to recover pursuant
33 to commission Decision 96-10-066.

34 (e) This section shall remain in effect only until January 1,
35 2006, and as of that date is repealed, unless a later enacted statute,
36 that is enacted before January 1, 2006, deletes or extends that date.

37 SEC. 6. Section 276 is added to the Public Utilities Code, to
38 read:

39 276. (a) There is hereby created the California High-Cost
40 Fund-B Administrative Committee, which is an advisory board to



1 advise the commission regarding the development,
2 implementation, and administration of a program to provide for
3 transfer payments to telephone corporations providing local
4 exchange services in high-cost areas in the state to create fair and
5 equitable local rate structures, as provided for in Section 739.3,
6 and to carry out the program pursuant to the commission's
7 direction, control, and approval.

8 (b) All revenues collected by telephone corporations in rates
9 authorized by the commission to fund the program specified in
10 subdivision (a) shall be submitted to the commission pursuant to
11 a schedule established by the commission. The commission shall
12 transfer the moneys received to the Controller for deposit in the
13 California High-Cost Fund-B Administrative Committee Fund.
14 All interest earned by moneys in the fund shall be deposited in the
15 fund. Any unexpended revenues collected prior to the operative
16 date of this section shall be submitted to the commission, and the
17 commission shall transfer those moneys to the Controller for
18 deposit in the California High-Cost Fund-B Administrative
19 Committee Fund.

20 (c) Moneys appropriated from the California High-Cost
21 Fund-B Administrative Committee Fund to the commission shall
22 be utilized exclusively by the commission for the program
23 specified in subdivision (a), including all costs of the board and the
24 commission associated with the administration and oversight of
25 the program and the fund.

26 (d) This section shall become operative on January 1, 2006.

27 SEC. 7. Section 276.5 is added to the Public Utilities Code, to
28 read:

29 276.5. (a) The commission shall establish a grant program to
30 aid in the establishment of telecommunications service in areas not
31 currently served by existing local exchange carriers. The program
32 shall be funded out of either the California High-Cost
33 Administrative Committee Fund-A or the California High-Cost
34 Administrative Committee Fund-B, or both, as determined by the
35 commission, and the funding level may not exceed ten million
36 dollars (\$10,000,000) per year.

37 (b) On or after July 1, 2002, any community-based group
38 representing a qualifying community may apply for and receive
39 grants to build an original telecommunications infrastructure that
40 can provide basic telecommunications service that will serve an

1 area that meets the grant program's population criteria with
2 consideration given to communities with schools, hospitals, and
3 health clinics, as set forth in Decision 96-10-066, and that
4 currently lacks basic telecommunications services, as described in
5 Decision 96-10-066 of the commission. A community-based
6 group representing a qualifying community may alternatively
7 apply for and receive a grant to subsidize the cost of the
8 telecommunications service itself, if the group determines that this
9 would be more cost-effective than subsidizing the building of an
10 original telecommunications infrastructure. On or before June 30,
11 2002, the commission, shall establish eligibility criteria for
12 community-based groups to qualify to apply for
13 telecommunications infrastructure grants. *The criteria shall*
14 *include a requirement that a local agency, as defined by Section*
15 *50001 of the Government Code, or a town, as defined by Section*
16 *21 of the Government Code, shall act as the community-based*
17 *group's fiscal agent for the receipt and distribution of funds.*
18 Qualifying communities shall have a median *household* income
19 no greater than the top income level used in the Universal Lifeline
20 Telephone Service index.

21 (c) Grant proposals shall be submitted in accordance with
22 procedures prescribed by the commission and evaluated and
23 awarded by the commission using technology criteria developed
24 by the government-industry working group established by
25 subdivision (h). Grant proposals shall contain all of the following:

26 (1) *A letter from a local agency or town agreeing to act as a*
27 *fiscal agent for the receipt and distribution of funds.*

28 (2) Preliminary engineering feasibility studies conducted in
29 cooperation with the local service providers that include all of the
30 following:

31 (A) Topographical maps indicating the location of all existing
32 residences.

33 (B) Schematic maps of the proposed network facilities.

34 (C) Recommendations and justifications for the preferred
35 technologies.

36 (D) Network compatibility statements from one or more
37 interconnecting carriers.

38 (E) Cost projections for the infrastructure facilities.

39 (F) Cost projections for the interconnection and recurring
40 service provisions.

1 (G) Projected budget for engineering feasibility studies.

2 ~~(2)~~

3 (3) Recommendations and letters of support from all of the
4 following:

5 (A) The county board of supervisors.

6 (B) Other affected local governments.

7 (C) Affected school districts.

8 (D) Affected emergency service providers.

9 (E) Affected law enforcement agencies.

10 ~~(3)~~

11 (4) Letters of commitment from 75 percent of the unserved
12 population.

13 ~~(4)~~

14 (5) A project schedule, including timeline and budget.

15 ~~(5)~~

16 (6) A management plan that assures the proper utilization of
17 grant funds.

18 ~~(6)~~

19 (7) Evidence that competing providers and competing
20 technologies have been considered and evaluated.

21 (d) Grant applicants that are rejected by the commission ~~shall~~
22 *may* be reimbursed for the cost of their preliminary engineering
23 feasibility studies from the grant program.

24 (e) The procedures developed for awarding grants shall ensure
25 that the grants awarded do not exceed annual moneys available to
26 support the program, that not more than one grant is awarded to a
27 qualifying community, and that no one applicant receive more than
28 25 percent of the designated program funds in a single fiscal year.

29 (f) In evaluating grant applications, the commission shall
30 consider the cost effectiveness of the application, the number of
31 people served, the level of local support, the ability of the
32 community served to pay for the services delivered, and the effect
33 on public health and safety.

34 (g) The commission shall establish a procedure that allows any
35 telecommunications provider subject to commission jurisdiction
36 that is capable of providing telephone service to the grant funded
37 service area an opportunity to provide the interconnection to the
38 public switched network.

39 (h) The commission shall establish a government-industry
40 working group to develop the technical criteria to be used in

1 evaluating grant awards. The working group shall be composed of,
2 but not limited to, the following:

3 (1) Representatives of the commission.

4 (2) Representatives of the incumbent local exchange carrier
5 industry.

6 (3) Representatives of the competitive local exchange carrier
7 industry.

8 (4) Representatives of the wireless carrier industry.

9 (i) Grant applicants shall seek to secure federal sources of
10 funding in conjunction with local subsidies for the construction of
11 telecommunications infrastructure.

12 (j) This section shall remain in effect only until January 1,
13 2006, and as of that date is repealed, unless a later enacted statute
14 enacted before January 1, 2006, deletes or extends that date.

15 SEC. 8. No reimbursement is required by this act pursuant to
16 Section 6 of Article XIII B of the California Constitution because
17 the only costs that may be incurred by a local agency or school
18 district will be incurred because this act creates a new crime or
19 infraction, eliminates a crime or infraction, or changes the penalty
20 for a crime or infraction, within the meaning of Section 17556 of
21 the Government Code, or changes the definition of a crime within
22 the meaning of Section 6 of Article XIII B of the California
23 Constitution.

