

AMENDED IN ASSEMBLY JUNE 16, 2004

AMENDED IN ASSEMBLY JUNE 9, 2004

AMENDED IN SENATE APRIL 1, 2004

SENATE BILL

No. 1276

Introduced by Senator Bowen

February 13, 2004

An act to amend Section 739.3 of the Public Utilities Code, relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

SB 1276, as amended, Bowen. Telecommunications: telephone service rates.

Existing law, the federal Telecommunications Act of 1996, establishes a program of cooperative federalism for the regulation of telecommunications to attain the goal of local competition, while implementing specific, predictable, and sufficient federal and state mechanisms to preserve and advance universal service, consistent with certain universal service principles. The universal service principles include the principle that consumers in all regions of the nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas. The act authorizes states to adopt regulations not inconsistent with Federal Communications Commission rules to preserve and advance universal service. The act

requires that every telecommunications carrier that provides intrastate telecommunications services contribute, on an equitable and nondiscriminatory basis, in a manner determined by the state, to the preservation and advancement of universal service in that state. The act authorizes each state to adopt regulations to provide for additional definitions and standards to preserve and advance universal service within the state, only to the extent that they adopt additional specific, predictable, and sufficient mechanisms that do not rely on or burden federal universal service support mechanisms.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including telephone corporations. Existing law authorizes the commission to fix just and reasonable rates and charges. Existing law, until January 1, 2005, requires the commission to develop, implement, and maintain a program to establish a fair and equitable local rate structure designed to reduce any disparity in rates charged by small independent telephone corporations serving rural and small metropolitan areas, and a competitively neutral, and broadband program to provide for transfer payments to telephone corporations serving areas where the cost of providing services exceeds rates charged by providers, as determined by the commission. Pursuant to this requirement, the commission has imposed a surcharge to intrastate telephone service to fund the transfer payments.

This bill would extend this program until January 1, 2009. By extending the program, the bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

The bill would require the commission by January 1, 2006, to conduct a review of the program, as extended by the bill, for the establishment of a fair and equitable local telephone rate support structure, and a review of the California High-Cost Fund-B Administrative Committee Fund, to accomplish an adjustment of subsidy payments to reflect updated operating costs and an evaluation of whether subsidy levels can be reduced while maintaining the goals of the program.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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

SECTION 1. Section 739.3 of the Public Utilities Code is amended to read:

739.3. (a) The commission shall develop, implement, and maintain a suitable program to establish a fair and equitable local rate structure aided by transfer payments to small independent telephone corporations serving rural and small metropolitan areas. The purpose of the program shall be to promote the goals of universal telephone service and to reduce any disparity in the rates charged by those companies.

(b) For purposes of this section, small independent telephone corporations means those independent telephone corporations serving rural areas, as determined by the commission.

(c) The commission shall develop, implement, and maintain a suitable, competitively neutral, and broadbased program to establish a fair and equitable local rate support structure aided by transfer payments to telephone corporations serving areas where the cost of providing services exceeds rates charged by providers, as determined by the commission. The commission shall develop and implement the program on or before October 1, 1996. The purpose of the program shall be to promote the goals of universal telephone service and to reduce any disparity in the rates charged by those companies. The commission shall structure the program required by this subdivision so that the amount of each transfer payment reasonably equals the value of the benefits of universal service to the transferor entity and its subscribers. Except as otherwise explicitly provided, this subdivision does not limit the manner in which the commission collects and disburses funds, and does not limit the manner in which it may include or exclude the revenue of transferring entities in structuring the program.

(d) The commission shall investigate subsidy reduction, or elimination of subsidies in service areas with demonstrated competition.

(e) Not later than February 1, 2001, the Legislative Analyst shall conduct a review of the state's universal telephone service program, including subsequent modifications as appropriate, and report to the Governor and the Legislature as part of the Legislative Analyst's analysis of the Budget Bill to be issued in February 2001.

1 In evaluating the program, the Legislative Analyst shall consider
2 all of the following:

3 (1) The findings of the report required by subdivision (e).

4 (2) An assessment of whether any identified problems are
5 issues that affect the continued implementation of this chapter or
6 issues that warrant revisions of statutes or regulations.

7 (f) This section shall remain in effect until January 1, 2009, and
8 as of that date is repealed, unless a later enacted statute that
9 becomes effective on or before January 1, 2009, deletes or extends
10 that date.

11 SEC. 2. The Public Utilities Commission shall, by January 1,
12 2006, conduct a review of the program established pursuant to
13 subdivision (c) of Section 739.3 of the Public Utilities Code and
14 of the California High-Cost Fund-B Administrative Committee
15 Fund, to accomplish both of the following:

16 (a) Adjust subsidy payments to reflect updated operating costs.

17 ~~(b) Determine whether the subsidy program should be reduced~~
18 ~~if the affected telephone corporation earns more than the~~
19 ~~market-based rate of return.~~

20 (b) *Evaluate whether subsidy levels can be reduced while still*
21 *meeting the goals of this program.*

