

AMENDED IN ASSEMBLY APRIL 6, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1825

Introduced by Assembly Member Strom-Martin

February 3, 2000

An act to ~~repeal and add~~ *repeal, add, and repeal* Article 3 (commencing with Section 15399.48) of Part 6.7 of Division 3 of Title 2 of the Government Code, to ~~amend Section 739.3 of, to add Sections 276.5 and 277.5 to, and to amend, repeal, and add Sections 270, 276, 277, and 879~~ *amend, repeal, and add Sections 270 and 280 of, and to add and repeal Section 280.5 of*, the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 1825, as amended, Strom-Martin. Rural telecommunications infrastructure.

(1) Existing law establishes the California Rural Policy Task Force within the Office of Planning and Research in the Governor's office. The task force is composed of state officers and oversees the mobilization and effective delivery of resources to rural California.

This bill would, until January 1, ~~2005~~ 2006, establish the Rural Telecommunications Infrastructure Task Force within the California Rural Policy Task Force. The Rural Telecommunications Infrastructure Task Force would develop resources and programs to facilitate community efforts to deploy telecommunications infrastructure in areas not currently served. This task force would administer a grant

program to provide community-based groups with resources to build telecommunications infrastructure, as prescribed. The Trade and Commerce Agency would provide administrative support, and the Public Utilities Commission would provide technical assistance, as prescribed.

(2) Existing law provides for ~~a program transfer payments to telephone corporations providing local exchange services in high-cost areas to create fair and equitable rate structures, and a program to ensure lifeline telephone service is available to the people of the state that are administered by the Public Utilities Commission, the California Teleconnect Fund Administrative Committee Fund~~ to provide *discounted rates for qualifying schools, libraries, health clinics, and community organizations* and paid for in the utility rates authorized by the commission. Existing law also provides for *an advisory boards board* that advise the commission regarding ~~these programs this program~~, and creates a fund for each advisory board in the State Treasury in which funds generated by each of these programs is deposited. Existing law limits the expenditure of the moneys in ~~these funds this fund~~ to the specified ~~programs program~~ and upon appropriation in the annual Budget Act.

This bill would, under the Public Utilities Act, until January 1, ~~2005~~ 2006, expand ~~each of these programs this program~~ to include funding a grant program to build telecommunications infrastructure in rural areas, as prescribed. Upon appropriation, ~~half of the funding would be derived from the interest earnings of each fund up to a specified annual limit, as prescribed, and would be transferred to the Rural Telecommunications Infrastructure Task Force, as prescribed.~~ The bill would require the commission to ~~ensure adequate funding of the grant program and~~ to form 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.

~~This 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 required for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.~~

(3) 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: ~~$\frac{2}{3}$~~ 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. Article 3 (commencing with Section
2 15399.48) of Part 6.7 of Division 3 of Title 2 of the
3 Government Code is repealed.

4 SEC. 2. Article 3 (commencing with Section
5 15399.48) is added to Part 6.7 of Division 3 of Title 2 of the
6 Government Code, to read:

7
8 Article 3. Rural Telecommunications Infrastructure
9 Task Force

10
11 15399.48. (a) The Rural Telecommunications
12 Infrastructure Task Force is hereby created in the
13 California Rural Policy Task Force, to be composed of
14 members appointed by the California Rural Policy Task
15 Force.

16 (b) The purpose of the task force is to develop
17 programs and resources that facilitate community efforts
18 to deploy telecommunications infrastructure in areas not
19 currently served by existing *local exchange* carriers.

20 (c) The task force shall administer a ~~grant program~~
21 ~~funded by interest earnings from universal service~~
22 ~~programs as set forth in Sections 276.5 and 277.5 of the~~
23 ~~needs-based grant program funded by a portion of the~~
24 ~~California Teleconnect Fund as set forth in Sections 280~~
25 ~~and 280.5 of the~~ Public Utilities Code. The Trade and
26 Commerce Agency shall provide administrative support
27 for the task force and the grant program.

1 (d) On or after July 1, 2001, any community-based
2 group *representing a qualifying community* may apply
3 for and receive grants to build an original
4 telecommunications infrastructure that will serve an area
5 ~~with not less than 20 families that meets the grant~~
6 ~~program's population criteria and that currently lacks~~
7 basic telecommunications services. The task force, *in*
8 *conjunction with the Public Utilities Commission*, shall
9 establish eligibility criteria for community-based groups
10 to qualify to apply for telecommunications infrastructure
11 grants.

12 (e) Grant proposals shall be submitted to the task force
13 in accordance with procedures prescribed by the task
14 force and evaluated and awarded by the task force using
15 technology criteria developed by the
16 government-industry working group established by
17 Section ~~276.5~~ 280.5 of the Public Utilities Code.

18 (f) The procedures developed for awarding grants
19 shall ensure that the grants awarded do not exceed annual
20 moneys available to support the program, *that not more*
21 *than five grants are awarded per year*; and that no one
22 applicant receive more than 25 percent of amounts
23 transferred to the task force in a single fiscal year.

24 (g) This chapter shall remain in effect only until
25 January 1, ~~2005~~ 2006, and as of that date is repealed, unless
26 a later enacted statute that is enacted before January 1,
27 ~~2005~~ 2006, deletes or extends that date.

28 SEC. 3. Section 270 of the Public Utilities Code is
29 amended to read:

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

32 (1) The California High-Cost Fund-A Administrative
33 Committee Fund.

34 (2) The California High-Cost Fund-B Administrative
35 Committee Fund.

36 (3) The Universal Lifeline Telephone Service Trust
37 Administrative Committee Fund.

38 (4) The Deaf and Disabled Telecommunications
39 Program Administrative Committee Fund.

(5) The Payphone Service Providers Committee Fund.

(6) The California Teleconnect Fund Administrative Committee Fund.

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

(c) Moneys in each fund may not be appropriated, or in any other manner transferred or otherwise diverted, to any other fund or entity, except as provided for in Sections ~~276.5 and 277.5~~ 280 and 280.5.

(d) Notwithstanding Section 7550.5 of the Government Code, on or before July 1, 2000, the Public Utilities Commission, in consultation with the Department of Finance, shall report to the Governor and the Legislature regarding a transition plan for programs associated with funds to be established within the State Treasury, as specified in subdivision (a). The transition plan report shall include information regarding the annual revenue to be deposited in, and the annual estimated expenditure for, each fund specified in subdivision (a). Advisory committees created by Sections 275, 276, 277, 278, 279, and 280 shall provide information and input to the commission in development of the specified transition plan.

(e) This section shall remain in effect only until January 1, ~~2005~~ 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2005~~ 2006, deletes or extends that date.

SEC. 4. Section 270 is added to the Public Utilities Code, to read:

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

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

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

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

1 (4) The Deaf and Disabled Telecommunications
2 Program Administrative Committee Fund.

3 (5) The Payphone Service Providers Committee
4 Fund.

5 (6) The California Teleconnect Fund Administrative
6 Committee Fund.

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

10 (c) Moneys in each fund may not be appropriated, or
11 in any other manner transferred or otherwise diverted,
12 to any other fund or entity.

13 (d) Notwithstanding Section 7550.5 of the
14 Government Code, on or before July 1, 2000, the Public
15 Utilities Commission, in consultation with the
16 Department of Finance, shall report to the Governor and
17 the Legislature regarding a transition plan for programs
18 associated with funds to be established within the State
19 Treasury, as specified in subdivision (a). The transition
20 plan report shall include information regarding the
21 annual revenue to be deposited in, and the annual
22 estimated expenditure for, each fund specified in
23 subdivision (a). Advisory committees created by Sections
24 275, 276, 277, 278, 279, and 280 shall provide information
25 and input to the commission in development of the
26 specified transition plan.

27 (e) This section shall become operative on January 1,
28 2005 2006.

29 ~~SEC. 5. Section 276 of the Public Utilities Code is~~

30 ~~SEC. 5. Section 280 of the Public Utilities Code is~~
31 ~~amended to read:~~

32 280. (a) There is hereby created the California
33 Teleconnect Fund Administrative Committee, which is
34 an advisory board to advise the commission regarding the
35 development, implementation, and administration of a
36 ~~program~~ *programs* to advance universal service by
37 ~~providing discounted rates to qualifying schools, libraries,~~
38 ~~hospitals, health clinics, and community organizations,~~
39 ~~consistent with Chapter 278 of the Statutes of 1994, and~~
40 ~~to carry out the program pursuant to the commission's~~

1 ~~direction, control, and approval.~~ *Consistent with Chapter*
2 *278 of the Statutes of 1994, the programs provide*
3 *discounted rates to qualifying schools, libraries, hospitals,*
4 *health clinics, and community organizations, and funds*
5 *for the development of a grant program for the*
6 *construction of telecommunications infrastructure as set*
7 *forth in Section 15399.48 of the Government Code. The*
8 *California Teleconnect Fund Administrative Committee*
9 *shall carry out these programs pursuant to the*
10 *commission's direction control, and approval.*

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

24 (c) Moneys appropriated from the California
25 Teleconnect Fund Administrative Committee Fund to
26 the commission shall be utilized exclusively by the
27 commission for the ~~program~~ *programs* specified in
28 subdivision (a), including all costs of the board and the
29 commission associated with the administration and
30 oversight of the ~~program~~ *programs* and the fund.

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

35 SEC. 6. *Section 280 is added to the Public Utilities*
36 *Code, to read:*

37 280. (a) *There is hereby created the California*
38 *Teleconnect Fund Administrative Committee, which is*
39 *an advisory board to advise the commission regarding the*
40 *development, implementation, and administration of a*

1 program to advance universal service by providing
2 discounted rates to qualifying schools, libraries, hospitals,
3 health clinics, and community organizations, consistent
4 with Chapter 278 of the Statutes of 1994, and to carry out
5 the program pursuant to the commission's direction,
6 control, and approval.

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

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

27 (d) This section shall become operative on January 1,
28 2006.

29 SEC. 7. Section 280.5 is added to the Public Utilities
30 Code, to read:

31 280.5. (a) The Rural Telecommunications
32 Infrastructure Task Force, upon appropriation of funds
33 from the California Teleconnect Fund Administrative
34 Committee Fund, not to exceed ten million dollars
35 (\$10,000,000) per year, may fund the telecommunications
36 infrastructure grant program established by Section
37 15399.48 of the Government Code.

38 (b) Of the moneys appropriated pursuant to
39 subdivision (a), one hundred fifty thousand dollars
40 (\$150,000) shall be transferred by the Controller to the

1 Trade and Commerce Agency for the administration of
2 the grant program established by Section 15399.48 of the
3 Government Code.

4 (c) The commission shall establish a procedure that
5 allows any telecommunications provider subject to
6 commission jurisdiction that is capable of providing
7 telephone service to the grant funded service area an
8 opportunity to provide the interconnection to the public
9 switched network.

10 (d) The commission shall establish a
11 government-industry working group to develop the
12 technical criteria to be used in evaluating grant awards.
13 The working group shall be composed of, but not limited
14 to, the following:

15 (1) Representatives of the commission.

16 (2) Representatives of the incumbent local exchange
17 carrier industry.

18 (3) Representatives of the competitive local exchange
19 carrier industry.

20 (4) Representatives of the wireless carrier industry.

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

25 amended to read:

26 ~~276. (a) There is hereby created the California~~
27 ~~High-Cost Fund-B Administrative Committee, which is~~
28 ~~an advisory board to advise the commission regarding the~~
29 ~~development, implementation, and administration of a~~
30 ~~program to provide for transfer payments to telephone~~
31 ~~corporations providing local exchange services in~~
32 ~~high-cost areas in the state to create fair and equitable~~
33 ~~local rate structures, as provided for in Section 739.3, and~~
34 ~~the development of a grant program for the construction~~
35 ~~of telecommunications infrastructure as set forth in~~
36 ~~Section 15399.48 of the Government Code, and to carry~~
37 ~~out the programs pursuant to the commission's direction,~~
38 ~~control, and approval.~~

39 ~~(b) All revenues collected by telephone corporations~~
40 ~~in rates authorized by the commission to fund the~~

~~1 program specified in subdivision (a) shall be submitted to
2 the commission pursuant to a schedule established by the
3 commission. The commission shall transfer the moneys
4 received to the Controller for deposit in the California
5 High-Cost Fund-B Administrative Committee Fund. All
6 interest earned by moneys in the fund shall be deposited
7 in the fund. Any unexpended revenues collected prior to
8 the operative date of this section shall be submitted to the
9 commission, and the commission shall transfer those
10 moneys to the Controller for deposit in the California
11 High-Cost Fund-B Administrative Committee Fund.~~

~~12 (e) Moneys appropriated from the California
13 High-Cost Fund-B Administrative Committee Fund to
14 the commission shall be utilized exclusively by the
15 commission for the programs specified in subdivision (a);
16 including all costs of the board and the commission
17 associated with the administration and oversight of the
18 programs and the fund.~~

~~19 (d) This section shall remain in effect only until
20 January 1, 2005, and as of that date is repealed, unless a
21 later enacted statute, that is enacted before January 1,
22 2005, deletes or extends that date.~~

~~23 SEC. 6. Section 276 is added to the Public Utilities
24 Code, to read:~~

~~25 276. (a) There is hereby created the California
26 High-Cost Fund-B Administrative Committee, which is
27 an advisory board to advise the commission regarding the
28 development, implementation, and administration of a
29 program to provide for transfer payments to telephone
30 corporations providing local exchange services in
31 high-cost areas in the state to create fair and equitable
32 local rate structures, as provided for in Section 739.3, and
33 to carry out the program pursuant to the commission's
34 direction, control, and approval.~~

~~35 (b) All revenues collected by telephone corporations
36 in rates authorized by the commission to fund the
37 program specified in subdivision (a) shall be submitted to
38 the commission pursuant to a schedule established by the
39 commission. The commission shall transfer the moneys
40 received to the Controller for deposit in the California~~

~~High-Cost Fund-B Administrative Committee Fund. All interest earned by moneys in the fund shall be deposited in the fund. Any unexpended revenues collected prior to the operative date of this section shall be submitted to the commission, and the commission shall transfer those moneys to the Controller for deposit in the California High-Cost Fund-B Administrative Committee Fund.~~

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

~~(d) This section shall become operative on January 1, 2005.~~

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

~~276.5. (a) Upon appropriation, an amount not to exceed three million dollars (\$3,000,000) per year, shall be transferred from the California High-Cost Fund-B Administrative Committee Fund to the Rural Telecommunications Infrastructure Task Force to fund the telecommunications infrastructure grant program established by Section 15399.48 of the Government Code. The transferred funds shall be limited to the interest earned on the moneys maintained in the fund.~~

~~(b) Of the moneys transferred pursuant to subdivision (a), seventy five thousand dollars (\$75,000) shall be transferred to the Trade and Commerce Agency for the administration of the grant program established by Section 15399.48 of the Government Code.~~

~~(c) The commission shall establish a sufficient surcharge to ensure that the moneys maintained in the fund generate adequate interest to support the grant program established by Section 15399.48 of the Government Code.~~

~~(d) The commission shall establish a procedure that allows any telecommunications provider subject to commission jurisdiction that is capable of providing~~

1 telephone service to the grant funded service area an
2 opportunity to provide the interconnection to the public
3 switched telephone network.

4 (e) The commission shall establish a
5 government industry working group to develop the
6 technical criteria to be used in evaluating grant awards.
7 The working group shall be composed of, but not limited
8 to, the following:

9 (1) Representatives of the commission.

10 (2) Representatives of the incumbent local exchange
11 carrier industry.

12 (3) Representatives of the competitive local exchange
13 carrier industry.

14 (4) Representatives of the wireless carrier industry.

15 (f) This section shall remain in effect only until
16 January 1, 2005, and as of that date is repealed, unless a
17 later enacted statute that is enacted before January 1,
18 2005, deletes or extends that date.

19 SEC. 8. Section 277 of the Public Utilities Code is
20 amended to read:

21 277. (a) There is hereby created the Universal
22 Lifeline Telephone Service Trust Administrative
23 Committee, which is an advisory board to advise the
24 commission regarding the development,
25 implementation, and administration of a program to
26 ensure lifeline telephone service is available to the people
27 of the state, as provided for in Article 8 (commencing
28 with Section 871) of Chapter 4 of Part 1 of Division 1, and
29 the development of a grant program for the construction
30 of telecommunications infrastructure as set forth in
31 Section 15399.48 of the Government Code, and to carry
32 out the programs pursuant to the commission's direction,
33 control, and approval.

34 (b) All revenues collected by telephone corporations
35 in rates authorized by the commission to fund the
36 programs specified in subdivision (a) shall be submitted
37 to the commission pursuant to a schedule established by
38 the commission. The commission shall transfer the
39 moneys received to the Controller for deposit in the
40 Universal Lifeline Telephone Service Trust

~~Administrative Committee Fund. All interest earned by moneys in the fund shall be deposited in the fund. Any unexpended revenues collected prior to the operative date of this section shall be submitted to the commission, and the commission shall transfer those moneys to the Controller for deposit in the Universal Lifeline Telephone Service Trust Administrative Committee Fund.~~

~~(c) Moneys appropriated from the Universal Lifeline Telephone Service Trust Administrative Committee Fund to the commission shall be utilized exclusively by the commission for the programs specified in subdivision (a), including all costs of the board and the commission associated with the administration and oversight of the program and the fund.~~

~~(d) This section shall remain in effect only until January 1, 2005, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2005, deletes or extends that date.~~

~~SEC. 9. Section 277 is added to the Public Utilities Code, to read:~~

~~277. (a) There is hereby created the Universal Lifeline Telephone Service Trust Administrative Committee, which is an advisory board to advise the commission regarding the development, implementation, and administration of a program to ensure lifeline telephone service is available to the people of the state, as provided for in Article 8 (commencing with Section 871) of Chapter 4 of Part 1 of Division 1, and to carry out the program pursuant to the commission's direction, control, and approval.~~

~~(b) All revenues collected by telephone corporations in rates authorized by the commission to fund the program specified in subdivision (a) shall be submitted to the commission pursuant to a schedule established by the commission. The commission shall transfer the moneys received to the Controller for deposit in the Universal Lifeline Telephone Service Trust Administrative Committee Fund. All interest earned by moneys in the fund shall be deposited in the fund. Any unexpended~~

~~1 revenues collected prior to the operative date of this~~
~~2 section shall be submitted to the commission, and the~~
~~3 commission shall transfer those moneys to the Controller~~
~~4 for deposit in the Universal Lifeline Telephone Service~~
~~5 Trust Administrative Committee Fund.~~

~~6 (e) Moneys appropriated from the Universal Lifeline~~
~~7 Telephone Service Trust Administrative Committee~~
~~8 Fund to the commission shall be utilized exclusively by~~
~~9 the commission for the program specified in subdivision~~
~~10 (a), including all costs of the board and the commission~~
~~11 associated with the administration and oversight of the~~
~~12 program and the fund.~~

~~13 (d) This section shall become operative on January 1,~~
~~14 2005.~~

~~15 SEC. 10. Section 277.5 is added to the Public Utilities~~
~~16 Code, to read:~~

~~17 277.5. (a) Upon appropriation, an amount not to~~
~~18 exceed three million dollars (\$3,000,000) per year, shall be~~
~~19 transferred from the Universal Lifeline Telephone~~
~~20 Service Trust Administrative Committee Fund to the~~
~~21 Rural Telecommunications Infrastructure Task Force to~~
~~22 fund the telecommunications infrastructure grant~~
~~23 program established by Section 15399.48 of the~~
~~24 Government Code.~~

~~25 (b) Of the moneys transferred pursuant to subdivision~~
~~26 (a), seventy-five thousand dollars (\$75,000) shall be~~
~~27 transferred to the Trade and Commerce Agency for the~~
~~28 administration of the grant program established by~~
~~29 Section 15399.48 of the Government Code.~~

~~30 (c) The commission shall establish a sufficient~~
~~31 surcharge to ensure that the moneys maintained in the~~
~~32 fund generate adequate interest to support the grant~~
~~33 program established by Section 15399.48 of the~~
~~34 Government Code.~~

~~35 (d) The provisions of subdivisions (d) and (e) of~~
~~36 Section 376.5 are also applicable to this section.~~

~~37 (e) This section shall remain in effect only until~~
~~38 January 1, 2005, and as of that date is repealed, unless a~~
~~39 later enacted statute that is enacted before January 1,~~
~~40 2005, deletes or extends that date.~~

1 ~~SEC. 11. Section 739.3 of the Public Utilities Code is~~
2 ~~amended to read:~~

3 ~~739.3. (a) The commission shall develop, implement,~~
4 ~~and maintain a suitable program to establish a fair and~~
5 ~~equitable local rate structure aided by transfer payments~~
6 ~~to small independent telephone corporations serving~~
7 ~~rural and small metropolitan areas. The purpose of the~~
8 ~~program shall be to promote the goals of universal~~
9 ~~telephone service and to reduce any disparity in the rates~~
10 ~~charged by those companies.~~

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

15 ~~(c) The commission shall develop, implement, and~~
16 ~~maintain a suitable, competitively neutral, and~~
17 ~~broad-based program to establish a fair and equitable~~
18 ~~local rate support structure aided by transfer payments to~~
19 ~~telephone corporations serving areas where the cost of~~
20 ~~providing services exceeds rates charged by providers, as~~
21 ~~determined by the commission. The commission shall~~
22 ~~develop and implement the program on or before~~
23 ~~October 1, 1996. The purpose of the program shall be to~~
24 ~~promote the goals of universal telephone service and to~~
25 ~~reduce any disparity in the rates charged by those~~
26 ~~companies. The commission shall structure the program~~
27 ~~required by this subdivision so that the amount of each~~
28 ~~transfer payment reasonably equals the value of the~~
29 ~~benefits of universal service to the transferor entity and~~
30 ~~its subscribers. Except as otherwise explicitly provided,~~
31 ~~this subdivision does not limit the manner in which the~~
32 ~~commission collects and disburses funds, and does not~~
33 ~~limit the manner in which it may include or exclude the~~
34 ~~revenue of transferring entities in structuring the~~
35 ~~program.~~

36 ~~(d) Not later than December 15, 1996, the commission~~
37 ~~shall report to the Governor, the Joint Legislative Budget~~
38 ~~Committee, and the fiscal committees of the Senate and~~
39 ~~the Assembly regarding the results of the commission's~~
40 ~~universal telephone service proceeding and~~

1 recommended program. The Legislature may, at its
2 discretion, assess whether any identified problems in the
3 universal telephone service program are issues that
4 warrant modifications to this chapter during the 1997-98
5 Regular Session.

6 (e) Not later than December 1, 1999, the commission
7 shall prepare a report to the Governor, the Joint
8 Legislative Budget Committee, and the fiscal committees
9 of the Senate and the Assembly regarding the status of the
10 universal telephone service fund and program. The
11 report shall consider all of the following:

12 (1) The effectiveness of the universal service funding
13 mechanism in establishing equitable and
14 nondiscriminatory contributions by all
15 telecommunications providers to support the
16 preservation and advancement of universal service.

17 (2) The extent to which the current universal
18 telephone service program provides the continued
19 availability of current telecommunications and
20 information services on a competitively neutral basis,
21 while providing adequate flexibility for provision of new
22 services and network capabilities as technology advances.

23 (3) The success of the universal telephone service
24 program in ensuring universal access, in rural and high
25 cost areas, to services that are reasonably comparable,
26 both in content and cost, to those services provided in
27 urban areas.

28 (f) The commission shall investigate subsidy
29 reduction, or elimination of subsidies in service areas with
30 demonstrated competition, and report on service area
31 auctions for high cost areas as part of the commission's
32 universal telephone service program report required in
33 accordance with subdivision (e).

34 (g) Not later than February 1, 2000, the Legislative
35 Analyst shall conduct a review of the state's universal
36 telephone service program, including subsequent
37 modifications as appropriate, and report to the Governor
38 and the Legislature as part of the Legislative Analyst's
39 analysis of the Budget Bill to be issued in February 2000.

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

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

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

9 ~~(h) The commission shall participate in and authorize~~
10 ~~rates for the development and implementation of a grant~~
11 ~~program for the construction of telecommunications~~
12 ~~infrastructure as set forth in Sections 276 and 276.5 and~~
13 ~~Section 15399.48 of the Government Code.~~

14 ~~(i) This section shall remain in effect until January 1,~~
15 ~~2005, and as of that date is repealed, unless a later enacted~~
16 ~~statute, which becomes effective on or before January 1,~~
17 ~~2005, deletes or extends that date.~~

18 ~~SEC. 12. Section 879 of the Public Utilities Code is~~
19 ~~amended to read:~~

20 ~~879. (a) The commission shall, at least annually,~~
21 ~~initiate a proceeding to set rates for lifeline telephone~~
22 ~~service. All telephone corporations providing lifeline~~
23 ~~telephone service shall annually file, on a date set by the~~
24 ~~commission, proposed lifeline telephone service rates~~
25 ~~and a statement of projected revenue needs to meet the~~
26 ~~funding requirements to provide lifeline telephone~~
27 ~~service to qualified subscribers, together with proposed~~
28 ~~funding methods to provide the necessary funding. These~~
29 ~~funding methods shall include identification of those~~
30 ~~services whose rates shall be adjusted to provide the~~
31 ~~necessary funding. The commission shall participate in~~
32 ~~and authorize rates for the development and~~
33 ~~implementation of a grant program for the construction~~
34 ~~of telecommunications infrastructure as set forth in~~
35 ~~Sections 277 and 277.5 and Section 15399.48 of the~~
36 ~~Government Code.~~

37 ~~(b) The commission shall commence a proceeding~~
38 ~~within 30 days after the date set for the filings required~~
39 ~~in subdivision (a), giving interested parties an~~
40 ~~opportunity to comment on the proposed rates and~~

~~funding requirements and the proposed funding methods. The commission may change the rates, funding requirements, and funding methods proposed by the telephone corporations in any manner necessary, including reasonably spreading the funding among the services offered by the telephone corporations, to meet the public interest. Within 60 days of the annual filing, the commission shall issue an order setting lifeline telephone service rates and funding methods for each telephone corporation making a filing as required in subdivision (a). The commission may establish a lifeline service pool composed of the rate adjustments and surcharges imposed by the commission pursuant to this section for the purpose of funding lifeline telephone service.~~

~~(c) Any order issued by the commission pursuant to this section shall require telephone corporations providing lifeline telephone service to apply the funding requirement in the form of a surcharge to service rates which may be separately identified on the bills of customers using those services. The commission shall not allow any surcharge under this section on the rates charged by those telephone corporations for lifeline telephone service.~~

~~(d) The commission shall permit telephone corporations operating between service areas to adjust the rates of any service which may be affected by any surcharge imposed by this section.~~

~~(e) This section shall remain in effect only until January 1, 2005, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2005, deletes or extends that date.~~

~~SEC. 13. Section 879 is added to the Public Utilities Code, to read:~~

~~879. (a) The commission shall, at least annually, initiate a proceeding to set rates for lifeline telephone service. All telephone corporations providing lifeline telephone service shall annually file, on a date set by the commission, proposed lifeline telephone service rates and a statement of projected revenue needs to meet the funding requirements to provide lifeline telephone~~

1 service to qualified subscribers, together with proposed
2 funding methods to provide the necessary funding. These
3 funding methods shall include identification of those
4 services whose rates shall be adjusted to provide the
5 necessary funding.

6 (b) The commission shall commence a proceeding
7 within 30 days after the date set for the filings required
8 in subdivision (a), giving interested parties an
9 opportunity to comment on the proposed rates and
10 funding requirements and the proposed funding
11 methods. The commission may change the rates, funding
12 requirements, and funding methods proposed by the
13 telephone corporations in any manner necessary,
14 including reasonably spreading the funding among the
15 services offered by the telephone corporations, to meet
16 the public interest. Within 60 days of the annual filing, the
17 commission shall issue an order setting lifeline telephone
18 service rates and funding methods for each telephone
19 corporation making a filing as required in subdivision (a).
20 The commission may establish a lifeline service pool
21 composed of the rate adjustments and surcharges
22 imposed by the commission pursuant to this section for
23 the purpose of funding lifeline telephone service.

24 (c) Any order issued by the commission pursuant to
25 this section shall require telephone corporations
26 providing lifeline telephone service to apply the funding
27 requirement in the form of a surcharge to service rates
28 which may be separately identified on the bills of
29 customers using those services. The commission shall not
30 allow any surcharge under this section on the rates
31 charged by those telephone corporations for lifeline
32 telephone service.

33 (d) The commission shall permit telephone
34 corporations operating between service areas to adjust
35 the rates of any service which may be affected by any
36 surcharge imposed by this section.

37 (e) This section shall become operative on January 1,
38 2005.

39 SEC. 14.—

1 *SEC.* 8. No reimbursement is required by this act
2 pursuant to Section 6 of Article XIII B of the California
3 Constitution because the only costs that may be incurred
4 by a local agency or school district will be incurred
5 because this act creates a new crime or infraction,
6 eliminates a crime or infraction, or changes the penalty
7 for a crime or infraction, within the meaning of Section
8 17556 of the Government Code, or changes the definition
9 of a crime within the meaning of Section 6 of Article
10 XIII B of the California Constitution.

