

Introduced by Senator PadillaDecember 6, 2010

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

LEGISLATIVE COUNSEL'S DIGEST

SB 3, as introduced, Padilla. Telecommunications: universal service.

(1) 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.

Existing law authorizes the Public Utilities Commission to supervise and regulate every public utility in the state, including telephone corporations, and to fix just and reasonable rates and charges for the public utility. Existing law establishes the California High-Cost Fund-A Administrative Committee Fund (CHCF-A) and the California High-Cost Fund-B Administrative Committee Fund (CHCF-B) in the State Treasury, and provides that moneys in the funds are the proceeds of rates and are held in trust for the benefit of ratepayers and to

compensate telephone corporations for their costs of providing universal service. Moneys in the funds may only be expended to accomplish specified telecommunications universal service programs, upon appropriation in the annual Budget Act or upon supplemental appropriation.

Existing law, until January 1, 2012, requires the commission to develop, implement, and maintain a suitable, competitively neutral, and broadbased program to establish a fair and equitable local rate support structure aided by universal service rate support to telephone corporations serving areas where the cost of providing services exceeds rates charged by providers, as determined by the commission. Existing law provides that it applies only to the CHCF-B program.

This bill would extend the repeal date of that program requirement until January 1, 2013.

(2) Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime.

Because the program that is extended under the provisions of this bill is within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by creating a new crime.

(3) This bill would constitute a change in state statute that would result in a taxpayer paying a higher tax 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.

(4) 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: $\frac{2}{3}$. 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 739.3 of the Public Utilities Code is
2 amended to read:
3 739.3. (a) The commission shall develop, implement, and
4 maintain a suitable program to establish a fair and equitable local
5 rate structure aided by universal service rate support to small

1 independent telephone corporations serving rural and small
2 metropolitan areas. The purpose of the program shall be to promote
3 the goals of universal telephone service and to reduce any disparity
4 in the rates charged by those companies.

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

8 (c) The commission shall develop, implement, and maintain a
9 suitable, competitively neutral, and broadbased program to
10 establish a fair and equitable local rate support structure aided by
11 universal service rate support to telephone corporations serving
12 areas where the cost of providing services exceeds rates charged
13 by providers, as determined by the commission. The commission
14 shall develop and implement the program on or before October 1,
15 1996. The purpose of the program shall be to promote the goals
16 of universal telephone service and to reduce any disparity in the
17 rates charged by those companies. Except as otherwise explicitly
18 provided, this subdivision does not limit the manner in which the
19 commission collects and disburses funds, and does not limit the
20 manner in which it may include or exclude the revenue of
21 contributing entities in structuring the program.

22 (d) The commission shall structure the programs required by
23 this section so that any charge imposed to promote the goals of
24 universal service reasonably equals the value of the benefits of
25 universal service to contributing entities and their subscribers.

26 (e) The commission shall investigate reducing the level of
27 universal service rate support, or elimination of universal service
28 rate support in service areas with demonstrated competition.

29 (f) By July 1, 2010, the commission shall prepare and submit
30 to the Legislature a report on the affordability of basic telephone
31 service in areas funded by the California High-Cost Fund-B
32 Administrative Committee Fund. The report, among other things,
33 shall provide information on prices and costs of basic telephone
34 service, and penetration and utilization rates of basic telephone
35 service by income, ethnicity, age, and other demographic
36 characteristics, using surveys and other methods of identifying the
37 factors affecting affordability of basic telephone service for
38 customers and noncustomers. The report shall describe the
39 characteristics of noncustomers and their reasons for not having
40 telephone service. The report shall identify those persons most at

1 risk of losing basic telephone service. The report shall be funded
2 out of the California High-Cost Fund-B Administrative Committee
3 Fund.

4 (g) This section shall only apply to the California High-Cost
5 Fund-B Administrative Committee Fund program.

6 (h) This section shall remain in effect only until January 1, ~~2012~~
7 2013, and as of that date is repealed, unless a later enacted statute,
8 that is enacted before January 1, ~~2012~~ 2013, deletes or extends
9 that date.

10 SEC. 2. No reimbursement is required by this act pursuant to
11 Section 6 of Article XIII B of the California Constitution because
12 the only costs that may be incurred by a local agency or school
13 district will be incurred because this act creates a new crime or
14 infraction, eliminates a crime or infraction, or changes the penalty
15 for a crime or infraction, within the meaning of Section 17556 of
16 the Government Code, or changes the definition of a crime within
17 the meaning of Section 6 of Article XIII B of the California
18 Constitution.