

## Senate Bill No. 207

### CHAPTER 750

An act to amend and repeal Section 739.3 of the Public Utilities Code, relating to telephones, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 21, 1996. Filed  
with Secretary of State September 23, 1996.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 207, Polanco. Telecommunications services: rates.

(1) Under existing law, the rates of public utilities, including telephone corporations are established by the Public Utilities Commission. Existing law requires the commission to develop and implement 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. The program is required to be aided by transfer payments to those corporations.

This bill would require the commission to maintain this program and would also require the commission, on or before October 1, 1996, to develop and implement a new 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. The commission would be required to structure the program so that the amount of each transfer payment reasonably equals the value of the benefits to the transferring entities and their subscribers. The provisions would become inoperative on January 1, 2001.

Because violations of the commission's orders, decisions, rules, or other requirements regarding this program would be punishable as misdemeanors, this bill would impose a state-mandated local program.

(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.

(3) The bill would declare that it is to take effect immediately as an urgency statute.

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

SECTION 1. Section 739.3 of the Public Utilities Code, as added by Chapter 755 of the Statutes of 1987, 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) Not later than December 15, 1996, the commission shall report to the Governor, the Joint Legislative Budget Committee, and the fiscal committees of the Senate and the Assembly regarding the results of the commission's universal telephone service proceeding and recommended program. The Legislature may, at its discretion, assess whether any identified problems in the universal telephone service program are issues that warrant modifications to this chapter during the 1997-98 Regular Session.

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

(1) The effectiveness of the universal service funding mechanism in establishing equitable and nondiscriminatory contributions by all



telecommunications providers to support the preservation and advancement of universal service.

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

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

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

(g) Not later than February 1, 2000, 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 2000. In evaluating the program, the Legislative Analyst shall consider all of the following:

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

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

(h) This section shall remain in effect until January 1, 2001, and as of that date is repealed, unless a later enacted statute, which becomes effective on or before January 1, 2001, deletes or extends that date.

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

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:



In order that, before January 1, 1997, the Public Utilities Commission may be authorized to meet its schedule to develop and implement the programs to maintain universal telecommunications service as competition is allowed for local basic service and to ensure fair competition while protecting universal service, it is necessary that this act take effect immediately.

O

