

SUBJECT: Reviewing eligibility for support from the universal service fund

COMMITTEE: State Affairs — favorable, without amendment

VOTE: 11 ayes — Cook, Giddings, Craddick, Farrar, Guillen, K. King, Kuempel, Meyer, Paddie, E. Rodriguez, Smithee

0 nays

2 absent — Geren, Oliveira

SENATE VOTE: On final passage, April 20 — 24-6 (Burton, Creighton, Huffines, Nelson, V. Taylor, Watson)

WITNESSES: No public hearing

BACKGROUND: In 1987, the 70th Legislature established the Texas Universal Service Fund (USF) to support telecommunications services in the state through various programs. Two programs supported by the USF assist telecommunications companies in providing basic local service at reasonable rates in high-cost rural areas: the Texas High-Cost Universal Service Plan and the Small and Rural Incumbent Local Exchange Company Universal Service Plan.

Incumbent local exchange carriers are telecommunications providers that historically were regulated in the Texas market before the Federal Communications Commission deregulated the local exchange market in the Telecommunications Act of 1996. In comparison, competitive local exchange carriers are non-incumbent companies operating in an exchange that provide competition to incumbent local exchange carriers.

The 83rd Legislature in 2013 enacted SB 583 by Carona, which amended eligibility criteria for telecommunications providers receiving support from the USF. The bill gradually reduced support from the fund on specified dates based on whether a provider was an incumbent local exchange carrier or another telecommunications provider and on the

number of access lines served by a provider.

Among other changes, SB 583 added subsection (p) to Utilities Code, sec. 56.023. Subsection (p) states that if an incumbent local exchange company or cooperative is ineligible for support under the High-Cost Universal Service Plan or the Small and Rural Incumbent Local Exchange Company Universal Service Plan, the High-Cost Universal Service Plan may not provide support to any other telecommunications providers for services in that exchange, with certain exceptions. An eligible provider that is receiving support under that plan may continue to receive it until the later of two years after the date the incumbent local exchange provider or cooperative ceased receiving support in that exchange or December 31, 2017.

Sec. 56.023(q), also added by SB 583, entitles cooperatives or affiliates of cooperatives receiving support under subsection (p) to continued support through the High-Cost Universal Service Plan through December 31, 2017.

DIGEST:

SB 1476 would establish a process for the Public Utility Commission (PUC) to review the continued support given to certain competitive eligible telecommunications providers through the Texas High-Cost Universal Service Plan and determine whether the support should be eliminated. It would remove the requirement under Utilities Code, sec. 56.023(p) that support to providers expires the later of two years after the date the incumbent local exchange provider or cooperative ceased receiving support in that exchange or December 31, 2017.

If the number of access lines served by eligible competitive telecommunications providers continuing to receive support through the High-Cost Universal Service Plan declined by at least 50 percent compared to levels on December 31, 2016, the PUC would be required to review the amount of support given to these providers at least once every three years to determine whether continuing the support was in the public interest.

The bill would require the PUC by rule to establish the criteria to determine whether support should be eliminated. The first review would be required to take place before the end of the year following the year in which the number of access lines first declined by at least 50 percent.

Support for eligible telecommunications providers under the bill would expire December 31, 2023.

Utilities Code, sec. 56.023(q), entitling eligible cooperatives to continue receiving support through December 31, 2017, would be repealed.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2017.

**SUPPORTERS
SAY:**

SB 1476 would continue a vital program needed to provide phone service to rural areas where it may not otherwise be feasible for telecommunications companies to do business. Technology has not yet advanced to the point where smaller telecommunication companies in rural areas are able to compete successfully, and the support provided through the Texas High-Cost Universal Service Plan still is needed to help provide phone service to remote areas.

The bill would require the Public Utility Commission (PUC) to review the current level of support if a provider's access lines declined by at least 50 percent, ensuring the subsidy would be discontinued if it no longer was needed, and would cease support to remaining applicable providers on December 31, 2023.

**OPPONENTS
SAY:**

SB 1476 would prolong government subsidies to certain telecommunications companies, giving an unfair advantage to phone companies in competitive markets. In some markets, certain telecommunications companies receive the subsidy while others are not eligible. Rather than the government picking winners and losers, certain provisions of the fund should be allowed to expire on December 31, 2017, rather than being extended.