

BILL ANALYSIS

Senate Research Center
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S.B. 583
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 1987, the 70th Legislature established the Texas Universal Service Fund (TUSF), the Texas equivalent of the Federal Universal Service Fund. The concept of universal service is that all citizens should have access to basic telecommunication services. Originally, long-distance rates subsidized rural local rates, which generally have a higher cost to provide services. Once telecommunication markets became open to competition this method became unsustainable and inefficient and subsidies are now made explicit through a surcharge. TUSF exists outside the treasury and is authorized by Chapter 56 (Telecommunications Assistance and Universal Service Fund), Utilities Code. Overall support is provided on a per-line, competitively neutral basis, meaning that if the customer chooses another telecommunications provider, that line's support follows the customer to the new company.

The federal government recently reduced universal service funding and shifted its focus to broadband. Furthermore, while universal service funding is meant to ensure that rates in rural areas are not significantly higher than in urban areas, Texas has seen urban area rates that are higher than rural rates.

In order for TUSF to best serve its intended purpose, S.B. 583 establishes guidelines to demonstrate that TUSF subsidies are needed to ensure affordable telephone service, creates an Internet and Broadband Services Task Force and Study to consider broadband support from TUSF, and removes the program that allows eligible companies to petition to the Public Utility Commission (PUC) to supplement any changes made by PUC or Federal Communications Commission policy that reduce universal service funding support.

As proposed, S.B. 583 amends current law relating to the use of and disbursements from the universal service fund.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 56.026, Utilities Code, as follows:

Sec. 56.026. UNIVERSAL SERVICE FUND DISBURSEMENTS. (a) Requires the Public Utility Commission of Texas (PUC) to adopt criteria for determining appropriate amounts for universal service fund disbursements to be made under the plans described by Sections 56.021(1)(A) (relating to the establishment of a universal service fund under the Texas High Cost Universal Service Plan) and (B) (relating to the establishment of a universal service fund under the Small and Rural Incumbent Local Exchange Company Universal Service Plan). Deletes existing text providing that a revenue requirement showing is not required for a disbursement from the universal service fund under this subchapter.

(b) Requires PUC to make each disbursement from the universal service fund promptly and efficiently so that a telecommunications provider does not

experience an unnecessary cash-flow change, rather than does not experience an unnecessary cash-flow change as a result of a change in governmental policy.

SECTION 2. Amends Subchapter B, Chapter 56, Utilities Code, by adding Section 56.027, as follows:

Sec. 56.027. INTERNET AND BROADBAND SERVICES TASK FORCE AND STUDY. (a) Requires PUC to investigate the feasibility and advisability of including Internet, high-speed Internet, or broadband services under the plans described by Sections 56.021(1)(A) and (B) or similar plans.

(b) Requires PUC, to assist PUC in conducting the investigation under Subsection (a), to establish a task force to develop, deliberate, and make proposals for consideration by PUC regarding the need for, and means to support through the universal service fund, Internet services for low-income customers. Requires that the task force include representatives of low-income customers, rural areas, urban areas, public libraries, schools, and nonprofit organizations.

(c) Requires PUC, not later than December 31, 2014, to report to the governor, lieutenant governor, and speaker of the house of representatives the results of PUC's investigation conducted under Subsection (a). Requires that the report include the proposals of the task force and PUC's evaluation of the merit of the proposals.

(d) Provides that this section expires September 1, 2015.

SECTION 3. Repealer: Section 56.025 (Maintenance of Rates and Expansion of Fund for Certain Companies), Utilities Code.

SECTION 4. Effective date: September 1, 2013.