

## **BILL ANALYSIS**

Senate Research Center  
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C.S.H.B. 2603  
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Business & Commerce  
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Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

C.S.H.B. 2603 proposes an additional option for the way the Texas Universal Service Fund (TUSF) can be disbursed to small and rural carriers. The bill ensures that when the Public Utility Commission (PUC) conducts a proceeding regarding TUSF disbursements to a company—such as that ordered by S.B. 980 (H.B. 2620)—that PUC order would prevail over the statute.

TUSF support is generated by collecting an assessment on all telecommunications providers, and then distributing those funds back amongst the telecommunication providers to support services in high cost and rural areas. Advances in technology and the way services are provided have meant a steady decrease in access lines. However, the cost to meet the services needs of customers (including expanding, upgrading, and maintaining the underlying network) have increased. To reach a balance for access line support and support needed, some companies now must go through a very involved and often costly process to attempt to adjust their support levels. The bill includes a sunset provision to ensure that the proceedings ordered under S.B. 980 determine the manner and level of the assessment and disbursement of TUSF funds in the future.

C.S.H.B. 2603 amends current law relating to the distribution of universal service funds to certain small and rural local exchange companies.

### **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 56.031, Utilities Code, as follows:

Sec. 56.031. New heading: ADJUSTMENTS: TEXAS HIGH COST UNIVERSAL SERVICE PLAN. Authorizes the Public Utility Commission of Texas (PUC) to revise the monthly per line support amounts to be made available from the Texas High Cost Universal Service Plan after notice and an opportunity for hearing. Deletes existing text authorizing PUC to revise the monthly per line support amounts to be made available from the Texas High Cost Universal Service Plan and from the Small and Rural Incumbent Local Exchange Company Universal Service Plan at any time after September 1, 2007.

SECTION 2. Amends Subchapter B, Chapter 56, Utilities Code, by adding Section 56.032, as follows:

Sec. 56.032. ADJUSTMENTS: SMALL AND RURAL INCUMBENT LOCAL EXCHANGE COMPANY UNIVERSAL SERVICE PLAN. (a) Provides that, for purposes of this section, "consumer price index" means the Consumer Price Index for All Urban Consumers, as published by the federal Bureau of Labor Statistics of the United States Department of Labor.

(b) Authorizes PUC, except as provided by Subsections (c), (d), (e), and (f), to revise the monthly support amounts to be made available from the Small and Rural Incumbent Local Exchange Company Universal Service Plan by revising the monthly per line support amounts, after notice and an opportunity for hearing. Requires PUC, in determining appropriate monthly per line support amounts, to consider the adequacy of basic rates to support universal service.

(c) Requires PUC, on the written request of a small or rural incumbent local exchange company that receives monthly per line support amounts, to disburse funds to the company in fixed monthly amounts based on the company's annualized amount of recovery for the calendar year ending on December 31, 2010. Authorizes a company to submit only one request under this subsection and requires the company to submit the request on or before December 31, 2011.

(d) Requires PUC annually, on the written request of a small or rural incumbent local exchange company that is not an electing company under Chapter 58 (Incentive Regulation) or 59 (Infrastructure Plan), to set the company's monthly support amounts for the following 12 months by dividing by 12 the annualized support amount calculated under this subsection. Requires PUC to calculate the annualized amount:

(1) for the initial 12-month period for which a company makes an election under this subsection, by:

(A) determining the annualized support amount calculated for the requestor in the final order issued by PUC in Docket No. 18516; and

(B) adjusting the support amount determined under Paragraph (A) at the beginning of each calendar year by a factor equal to the most recent consumer price index published at that time, beginning with the 1999 calendar year and ending in the year the company makes an election under this subsection; and

(2) for the 12-month period following the initial period for which a company made an election under this subsection and for subsequent 12-month periods, by adjusting the most recent annualized support amount calculated by PUC by a factor equal to the percentage change in the consumer price index for the most recent 12-month period.

(e) Authorizes PUC, on its own motion or on the written request of the company, if a company elects to receive monthly support amounts under Subsection (d), to initiate a proceeding to recalculate the most recent annualized support amount to be used as the basis for adjustment for a subsequent 12-month period under Subsection (d)(2). Provides that if, based on the recalculation, PUC by order adjusts a company's most recent annualized support amount, the adjusted support amount supersedes the annualized support amount calculated in accordance with Subsection (d).

(f) Requires PUC to administratively review requests filed under Subsections (c) and (d). Requires PUC, except for good cause, to approve the request not later than the 60th day after the date PUC determines the company is eligible and has met all the procedural requirements under this subchapter.

(g) Provides that this section does not affect PUC's authority under Chapter 53 (Rates) or this chapter.

(h) Provides that this section and any monthly support amount approved under this section expire on September 1, 2013.

SECTION 3. Amends Section 56.031, Utilities Code, effective September 1, 2013, as follows:

Sec. 56.031. ADJUSTMENTS. Authorizes PUC to revise the monthly per line support amounts to be made available from the Texas High Cost Universal Service Plan and from the Small and Rural Incumbent Local Exchange Company Universal Service Plan at any time after September 1, 2007, after notice and an opportunity for hearing. Requires PUC, in determining appropriate monthly per line support amounts, to consider the adequacy of basic rates to support universal service.

SECTION 4. Effective date, except as otherwise provided by this Act: September 1, 2011.