

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1710
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The purpose of the Texas Universal Service Fund (USF) is to implement a competitively neutral mechanism to enable all residents of the state to obtain the basic telecommunications services needed to communicate with other residents, businesses, and governmental entities.

C.S.S.B. 1710 defines "high cost rural area" to ensure that clearly rural areas of the state continue to receive the USF support they need. Additionally, the bill ensures that previously rural exchanges, that are now suburban, are subject to Public Utility Commission (PUC) review to determine if an exchange should continue to receive USF support.

The bill will reinstate the "needs test" that was previously conducted under S.B. 583, 83(R). Reconducting this test will help identify exchanges that have additional competition from other telecommunication providers and it will require the PUC to reduce USF support in those identified exchanges.

C.S.S.B. 1710 amends current law relating to the universal service fund.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 4 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 56.001, Utilities Code, by adding Subdivision (3), to define "high cost rural area."

SECTION 2. Amends Section 56.023, Utilities Code, by amending Subsections (f), (g), (h), (i), and (k) and adding Subsections (q), (t), and (u), as follows:

(f) Provides that the support that an incumbent local exchange company or cooperative is eligible to receive on December 31, 2023, rather than 2016, under a certain plan, except as provided by Subsection (g), for a company or cooperative that served greater than 31,000 access lines in this state on September 1, 2022, rather than 2013, or a company or cooperative that is a successor to such a company or cooperative, is reduced:

(1) on January 1, 2024, rather than 2017, to 75 percent of the level of support the company or cooperative is eligible to receive on December 31, 2023, rather than 2016;

(2) on January 1, 2025, rather than 2018, to 50 percent of the level of support the company or cooperative is eligible to receive on December 31, 2023, rather than 2016;

(3) on January 1, 2026, rather than 2019, to 25 percent of the level of support the company or cooperative is eligible to receive on December 31, 2023, rather than 2016; and

(4) on January 1, 2027, to zero percent of the level of support the company or cooperative is eligible to receive on December 31, 2023.

Makes nonsubstantive changes.

(g) Prohibits the amount of support set by the Public Utility Commission of Texas (PUC) for an exchange under this subsection from exceeding:

(1) 100 percent of the amount of support that the company or cooperative will be eligible to receive on December 31, 2023, rather than 2016, if the petition is filed before January 1, 2024, rather than 2016;

(2) 75 percent of the amount of support that the company or cooperative will be eligible to receive on December 31, 2023, rather than 2016, if the petition is filed on or after January 1, 2024, and before January 1, 2025, rather than on or after January 1, 2016, and before January 1, 2017;

(3) 50 percent of the amount of support the company or cooperative is eligible to receive on December 31, 2023, rather than 2016, if the petition is filed on or after January 1, 2025, and before January 1, 2026, rather than on or after January 1, 2017, and before January 1, 2018;

(4) 25 percent of the amount of support that the company or cooperative is eligible to receive on December 31, 2023, rather than 2016, if the petition is filed on or after January 1, 2026, and before January 1, 2027, rather than on or after January 1, 2018, and before January 1, 2019; or

(5) zero percent of the amount of support that the company or cooperative is eligible to receive on December 31, 2023, if the petition is filed on or after January 1, 2027, and before January 1, 2028.

(h) Provides that the support that an incumbent local exchange company or cooperative, for a company that is an electing company under certain chapters or a cooperative that served greater than 31,000 access lines in this state on September 1, 2022, rather than 2013, or a company or cooperative that is a successor to such a company or cooperative, is eligible to receive on December 31, 2024, rather than 2017, under a certain plan, except as provided by Subsection (i), is reduced:

(1) on January 1, 2025, rather than 2018, to 75 percent of the level of support the company or cooperative is eligible to receive on December 31, 2024, rather than 2017;

(2) on January 1, 2026, rather than January 1, 2019, to 50 percent of the level of support the company or cooperative is eligible to receive on December 31, 2024, rather than 2017;

(3) on January 1, 2027, rather than 2020, to 25 percent of the level of support the company or cooperative is eligible to receive on December 31, 2024, rather than 2017; and

(4) on January 1, 2028, to zero percent of the level of support the company or cooperative is eligible to receive on December 31, 2024.

Makes nonsubstantive changes.

(i) Prohibits the amount of support set by the PUC for an exchange under this subsection from exceeding:

(1) 100 percent of the amount of support that the company or cooperative will be eligible to receive on December 31, 2024, rather than 2017, if the petition is filed before January 1, 2025, rather than 2017;

(2) 75 percent of the amount of support that the company or cooperative will be eligible to receive on December 31, 2024, rather than 2017, if the petition is filed on or after January 1, 2025, and before January 1, 2026, rather than on or after January 1, 2017, and before January 1, 2018;

(3) 50 percent of the amount of support that the company or cooperative is eligible to receive on December 31, 2024, rather than 2017, if the petition is filed on or after January 1, 2026, and before January 1, 2027, rather than on or after January 1, 2018, and before January 1, 2019;

(4) 25 percent of the amount of support that the company or cooperative is eligible to receive on December 31, 2024, rather than 2017, if the petition is filed on or after January 1, 2027, and before January 1, 2028, rather than on or after January 1, 2019, and before January 1, 2020; or

(5) zero percent of the amount of support that the company or cooperative is eligible to receive on December 31, 2024, if the petition is filed on or after January 1, 2028, and before January 1, 2029.

Makes nonsubstantive changes.

(k) Provides that Subsections (g) and (i) do not authorize the PUC to initiate a contested case hearing concerning a local exchange company that has elected to participate in a total support reduction plan under 16 T.A.C. Section 26.403 that requires the company to forego funding under a certain plan after January 1, 2024, rather than 2017.

(q) Entitles the eligible telecommunications provider receiving continued support under Subsection (p), notwithstanding the period for continued support specified by that subsection, if the telecommunications provider is a cooperative or an affiliate of a cooperative, to continued support through December 31, 2023, at the same monthly per line support amount as the provider is receiving as of the date the support ceases for that exchange for the incumbent local exchange company or cooperative. Provides that support authorized under this subsection ceases December 31, 2023.

(t) Provides that the PUC, not later than September 1 of every fourth year beginning September 1, 2023, is required to review and is authorized to adjust the standards and criteria to demonstrate financial need for continued support under Subsection (f).

(u) Provides that the PUC, not later than September 1 of every fourth year beginning September 1, 2024, is required to review and is authorized to adjust the standards and criteria to demonstrate financial need for continued support under Subsection (h).

SECTION 3. Amends Subchapter B, Chapter 56, Utilities Code, by adding Sections 56.0231 and 56.0232, as follows:

Sec. 56.0231. SUPPORT EXPIRED. Requires that support to an incumbent local exchange company or cooperative provided under Section 56.023 (Commission Powers and Duties) be reduced on December 31, 2024, to zero percent of the amount of support that the company or cooperative is eligible to receive on that date if before December 31, 2022, support to the company or cooperative had been reduced to 25 percent of the support the company or cooperative was eligible to receive.

Sec. 56.0232. SUPPORT RELINQUISHED. (a) Authorizes an eligible telecommunications provider to notify the PUC that the provider relinquishes the support it is entitled to receive under Chapter 56 (Telecommunications Assistance and Universal

Service Fund). Requires the PUC, after notice by the provider, to require the entity administering the universal service fund to terminate support to the provider.

(b) Entitles the provider, if the PUC does not notify the administrator under Subsection (a) of the provider's request before the 90th day after the date the PUC receives the request, to stop receiving the support on that date.

SECTION 4. Requires the PUC, not later than December 31, 2023, to initiate the rulemaking to adopt the rules required by Section 56.001 (Definitions), Utilities Code, as amended by this Act.

SECTION 5. Effective date: upon passage or September 1, 2023.