

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco**M e m o r a n d u m**

**Date:** March 3, 2006

**To:** The Commission  
(Meeting of March 15, 2006)

**From:** Delaney Hunter, Director  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **AB 326 (Blakeslee) High Cost Fund A  
As Amended January 24, 2006**

**Legislative Subcommittee Recommendation:** Support

**Summary:** This bill would make Legislative findings and declarations that the maintenance of adequate funding levels for the California High Cost Fund-A Administrative Committee Fund is critical to public health and safety since universal public switched telephone network service throughout the state and maintenance of public safety answering points (PSAPs) in high-cost areas of the state rely on appropriations.

**Division Analysis (Telco):**

The California Public Utilities Commission (Commission) supports the addition of part (d) to section 275 of the Public Utilities Code, to wit:

- (d) the Legislature finds and declares that because maintenance of universal public switched telephone network service throughout the state and maintenance of public safety answering points in high cost areas of the state rely on appropriations from the California High-Cost Fund-A Administrative Committee Fund, maintaining adequate funding levels for the fund is critical to public health and safety.

Without adequate funding from both the federal government and the state, consumers and businesses in high-cost rural areas of the state would have to pay exorbitant rates for basic telephone services. As such, many may elect to leave the public switched network jeopardizing public health and safety.

The federal Universal Service High-Cost Fund (USF) and the California High-Cost Fund A (CHCF-A) provide a source of supplemental revenues to 17 small local exchange carriers (LECs) for the purpose of minimizing any rate disparity of basic telephone services between rural and metropolitan areas. For Calendar Year (CY) 2006, these 17 small LECs will receive total revenue support in excess of \$55 million for servicing approximately 125,000 access lines. Without funding from both the federal government and the state, consumers and businesses being served by these 17 small LECs would have to pay an additional basic service rate of \$37.00 per month.

### **Recommended Amendments**

None

### **LEGISLATIVE HISTORY**

Senate Bill 669 (Chapter 677, Statutes of 1999) clarified that the Commission was not explicitly authorized to act as third party administrator for these funds. Prior to this being enacted, the funds had been housed in a trust account and the Commission acted as a trustee to request remittance. SB 669 moved the funds into the State's General Fund and stipulated that no monies could be drawn from these funds for any purpose other than those specifically prescribed in P.U. code. Nevertheless, some of these monies have since been redirected for non-telephone purposes (e.g., funds were redirected by the Governor and Legislature during the budget crisis in 2002 and 2003).

AB 326 would stress the need to provide adequate funding levels for the CHCF-A Fund, thus assuring consumers in rural high cost areas of basic telephone service at rates that are comparable to rates prevailing in other areas.

### **STATUS**

In Senate Rules Committee for committee assignment.

### **SUPPORT/OPPOSITION**

#### Support:

California Communications Association's Independent Telephone Company Group  
CalCom-ITCG (Sponsor)  
City of Kerman  
Communications Workers of America  
Foresthill Telephone Company  
Global Valley Networks Inc.  
Kerman Chamber of Commerce  
Kerman Telephone Company  
Pinnacles Telephone Company  
Ponderosa Telephone

Sierra Telephone Company  
SureWest Communications  
Volcano Telephone Company

Opposition:

None on file.

**STAFF CONTACT**

Jack Leutza,  
TD Director

jml@cpuc.ca.gov  
(415) 703-1060

Geraldine Carlin (author)  
Staff, TD

gvc@cpuc.ca.gov  
(415) 703-2114

Angela Young  
Staff, TD

ayy@cpuc.ca.gov  
(415) 703-2837

Pamela Loomis  
OGA

[pcl@cpuc.ca.gov](mailto:pcl@cpuc.ca.gov)  
(916) 327-8441

**Date:** March 3, 2006

**BILL LANGUAGE:**

BILL NUMBER: AB 326      AMENDED  
BILL TEXT

AMENDED IN ASSEMBLY    JANUARY 24, 2006  
AMENDED IN ASSEMBLY    JANUARY 11, 2006  
AMENDED IN ASSEMBLY    JANUARY 4, 2006  
AMENDED IN ASSEMBLY    APRIL 7, 2005

INTRODUCED BY    Assembly Member Blakeslee

FEBRUARY 10, 2005

An act to amend Sections 270 and 275 of the Public Utilities Code, relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

AB 326, as amended, Blakeslee Telephone corporations: universal service.

Existing law, the federal Telecommunications Act of 1996, establishes a program of cooperative federalism for the regulation of telecommunications to attain the goal of local competition, while implementing specific, predictable, and sufficient federal and state mechanisms to preserve and advance universal service, consistent with certain universal service principles. The act authorizes states to adopt regulations not inconsistent with Federal Communications Commission rules to preserve and advance universal service. The act requires that every telecommunications carrier that provides intrastate telecommunications services contribute, on an equitable and nondiscriminatory basis, in a manner determined by the state, to the preservation and advancement of universal service in that state. The act authorizes each state to adopt regulations to provide for additional definitions and standards to preserve and advance universal service within the state, only to the extent that they adopt additional specific, predictable, and sufficient mechanisms that do not rely on or burden federal universal service support mechanisms.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including telephone corporations. Existing law authorizes the commission to fix just and reasonable rates and charges. Existing law establishes the California High-Cost Fund-A Administrative Committee Fund, the California High-Cost Fund-B Administrative Committee Fund, the Universal Lifeline Telephone Service Trust Administrative Committee Fund, the Deaf and Disabled Telecommunications Program Administrative Committee Fund, the Payphone Service Providers Committee Fund, and the California Teleconnect Fund Administrative Committee Fund in the State Treasury and requires that the moneys in the funds be expended only to accomplish specified telecommunications universal service programs, upon appropriation. Existing law provides that moneys in the funds

are the proceeds of rates and are held in trust for the benefit of ratepayers and to compensate telephone corporations for their costs of providing universal service.

~~This bill would prohibit moneys in the universal service program funds from being reallocated within the General Fund for any purpose or to support any program other than as authorized. The bill would make legislative findings and declarations that because maintenance of universal public switched telephone network service throughout the state and maintenance of public safety answering points in high-cost areas of the state rely on appropriations from the California High-Cost Fund-A Administrative Committee Fund, maintaining adequate funding levels for the fund is critical to public health and safety.~~

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

~~SECTION 1. Section 270 of the Public Utilities Code, as amended by Section 25 of Chapter 73 of the Statutes of 2005, is amended to read:~~

~~270. (a) The following funds are hereby created in the State Treasury:~~

~~(1) The California High Cost Fund A Administrative Committee Fund.~~

~~(2) The California High Cost Fund B Administrative Committee Fund.~~

~~(3) The Universal Lifeline Telephone Service Trust Administrative Committee Fund.~~

~~(4) The Deaf and Disabled Telecommunications Program Administrative Committee Fund.~~

~~(5) The Payphone Service Providers Committee Fund.~~

~~(6) The California Teleconnect Fund Administrative Committee Fund.~~

~~(b) Moneys in the universal service program funds are the proceeds of rates and are held in trust for the benefit of telephone corporation ratepayers and to compensate telephone corporations for their costs of providing universal service. Moneys in the funds shall not be reallocated within the General Fund for any purpose or to support any program other than as authorized within this chapter. Moneys in the funds may only be expended pursuant to this chapter and upon appropriation in the annual Budget Act or upon supplemental appropriation.~~

~~(c) Moneys in each fund may not be appropriated, or in any other manner transferred or otherwise diverted, to any other fund or entity, except as provided in Sections 19325 and 19325.1 of the Education Code.~~

~~SEC. 2. SECTION 1. Section 275 of the Public Utilities Code, as amended by Section 1 of Chapter 767 of the Statutes of 2004, is amended to read:~~

~~275. (a) There is hereby created the California High-Cost Fund-A Administrative Committee, which is an advisory board to advise the commission regarding the development, implementation, and administration of a program to provide for transfer payments to small independent telephone corporations providing local exchange services~~

in high-cost rural and small metropolitan areas in the state to create fair and equitable local rate structures, as provided for in Section 739.3, the development of a grant program for the construction of telecommunications infrastructure as set forth in Section 276.5, and to carry out the program pursuant to the commission's direction, control, and approval.

(b) All revenues collected by telephone corporations in rates authorized by the commission to fund the program specified in subdivision (a) shall be submitted to the commission pursuant to a schedule established by the commission. The commission shall transfer the moneys received to the Controller for deposit in the California High-Cost Fund-A Administrative Committee Fund. All interest earned by moneys in the fund shall be deposited in the fund. Any unexpended revenues collected prior to the operative date of this section shall be submitted to the commission, and the commission shall transfer those moneys to the Controller for deposit in the California High-Cost Fund-A Administrative Committee Fund.

(c) Moneys appropriated from the California High-Cost Fund-A Administrative Committee Fund to the commission shall be utilized exclusively by the commission for the program specified in subdivision (a), including all costs of the board and the commission associated with the administration and oversight of the program and the fund.

(d) The Legislature finds and declares that because maintenance of universal public switched telephone network service throughout the state and maintenance of public safety answering points in high-cost areas of the state rely on appropriations from the California High-Cost Fund-A Administrative Committee Fund, maintaining adequate funding levels for the fund is critical to public health and safety.