

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 1, 2008
POSITION: Oppose

BILL NUMBER: SB 780
AUTHOR: P. Wiggins
RELATED BILLS: SB 1144 (Cox), SB 1149 (Wiggins)

BILL SUMMARY: Telecommunications: Universal Service

This bill would require the California Public Utilities Commission (PUC) to develop, implement, and maintain a program that provides reasonable telephone rates to all subscribers in the state. This bill would specify that the program requirements do not apply to California High-Cost Fund-B (CHCF-B) after January 1, 2012, and do not apply to California High Cost Fund-A (CHCF-A) after January 1, 2013.

The bill would require the PUC, by July 1, 2010, to prepare and submit to the Legislature a report on the affordability of basic telephone service in areas funded by the CHCF-B. This bill would only take effect if SB 1144 is enacted and becomes operative.

FISCAL SUMMARY

The PUC estimates that the cost of this bill would be \$1,000,000 California High-Cost Fund-A Administrative Committee Fund/California High-Cost Fund-B Administrative Committee Fund to complete the required study.

COMMENTS

Finance opposes this bill because it would result in additional costs to the PUC funded from the CHCF-A Administrative Committee Fund and the CHCF-B Administrative Committee funds. These increased costs could create pressure to increase fees on telephone ratepayers.

Current law requires the PUC to develop programs to ensure that Universal Telephone Service is provided in high-cost areas at affordable rates. These programs are referred to as the High-Cost Fund A and High-Cost Fund B. The two programs reduce the cost of telephone service to rural and high cost-to-serve customers by subsidizing those costs with surcharges levied on all telephone service customers.

Four years ago, when the Legislature last considered extending the sunset for these programs, the telephone companies estimated that the elimination of these programs would increase basic telephone service rates by \$17 - \$149 per month for the smaller telephone companies.

This bill, in combination with SB 1144 (Cox), would allow the continued funding of the program paid for by all customers of home and cellular telephone services to protect rural and underserved areas of the state from elevated phone bills.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)								Fund Code
		PROP 98	FC	2008-2009		2009-2010		2010-2011		
				FC	FC	FC	FC	FC	FC	
8660/PUC	SO	No	C		\$250 C		\$500 C		\$500 C	0464
8660/PUC	SO	No	C		\$250 C		\$500 C		\$500 C	0470
<u>Fund Code</u>	<u>Title</u>									
0464	High-Cost Fund-A Admin Committee Fd, Cal									
0470	High-Cost Fund-B Admin Committee Fd, Cal									

Analyst/Principal (0620) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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