

STORAGE NAME: h2301.uco

DATE: April 5, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
Utilities & Communications
ANALYSIS**

BILL #: HB 2301 (PCB UCO 00-07)

RELATING TO: Telecommunications

SPONSOR(S): Committee on Utilities & Communications and Rep. Rojas

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) UTILITIES & COMMUNICATIONS YEAS 9 NAYS 0

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I. SUMMARY:

Section 364.025, F.S., establishes an interim period during which incumbent companies are required to remain as carriers-of-last-resort, and provides for an "interim mechanism" designed by the Public Service Commission to support and fund universal service goals. The Interim period and interim mechanism are set to expire January 1, 2001, and the Legislature is required under the current law to substitute a permanent mechanism before that date.

The bill extends the carrier-of-last-resort obligations of incumbent local exchange telecommunications companies and the interim mechanism for maintaining universal service objectives until January 1, 2004.

The bill does not appear to have a fiscal impact on state or local governments.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

By passage of the Telecommunications Act of 1995 ("the Act"), the Florida Legislature "deregulated" the telecommunications industry in Florida. However, at that time, the Legislature harbored a concern whether universal service goals could be sustained in the new competitive environment. This concern prompted enactment of legislation at s. 364.025, F.S. (Universal service), which provides for an interim period during which incumbent companies¹ are required to remain as carriers-of-last-resort² in their service areas.

In addition, pursuant to s. 364.025, F.S., the Public Service Commission (PSC) has been charged with establishing an "interim mechanism" for maintaining universal service objectives and funding carrier-of-last-resort obligations. The PSC's interim mechanism must ensure that new companies³ to the local exchange market contribute their fair share to the support of universal service and carrier-of-last-resort obligations.

Both the interim period and the interim mechanism are to operate pending the implementation of a permanent universal service mechanism by the legislature before January 1, 2001, the deadline imposed by statute.

¹Companies providing local exchange services as of the effective date of the Telecommunications Act.

²The term "carrier-of-last-resort" is not defined in statute, however, it generally refers to a provider that must provide basic service at affordable rates to any customer in its service territory. This definition derives from the pre-act monopoly environment in which the state required local exchange companies to provide a minimum, universal level of service in return for a guaranteed rate of return. In plain terms, an incumbent local exchange company obligated to current universal service goals is a carrier-of-last-resort.

³Companies providing local exchange services after the effective date of the Telecommunications Act.

C. EFFECT OF PROPOSED CHANGES:

This bill amends s. 364.025, F.S., to extend, until January 1, 2004:

- 1) the operation of the PSC's interim mechanism for maintaining universal service objectives; and
- 2) carrier-of-last-resort obligations for incumbent local exchange companies.

In addition, the bill extends until January 1, 2004, the current January 1, 2001 deadline imposed on the Legislature for implementing a permanent mechanism to maintain universal service objectives and fund carrier-of-last-resort obligations

D. SECTION-BY-SECTION ANALYSIS:

Please see "Effect of Proposed Changes" section.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill does not appear to impact state revenues.

2. Expenditures:

The bill does not appear to require state expenditures.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill does not appear to impact local government revenues.

2. Expenditures:

The bill does not appear to require local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Although the law states that the interim mechanism will be applied in a manner that ensures that all providers contribute a fair share toward the support of universal service, in fact, the incumbent companies bear almost the entire load of serving high-cost customers and pay the full state share of Lifeline support for low-income customers. A local exchange company can petition the Florida Public Service Commission to change the interim mechanism if such change is warranted by the circumstances. See s. 364.025(3), F.S. To date, no local exchange company has availed itself of this relief.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

The bill does not raise constitutional issues.

B. RULE-MAKING AUTHORITY:

The bill does not expand or contract the rule-making authority of state or local agencies.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON UTILITIES & COMMUNICATIONS:

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