

BILL ANALYSIS

C.S.H.B. 2667
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State Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas universal service fund (TUSF), operated by the Public Utility Commission of Texas (PUC), supports costs associated with providing telecommunication services to high cost and rural areas. The TUSF is currently underfunded and does not pay out the full obligation due to high cost providers. Despite funding shortages, the PUC has resisted calls to subject providers of newer telecommunications technologies, such as Voice over Internet Protocol (VoIP) service, to the fee that funds the TUSF or to consider funding the TUSF through flat fee, connections-based assessment, a technology- and provider-neutral methodology that has been adopted in a number of other states. C.S.H.B. 2667 seeks to subject VoIP providers to the uniform charge that funds the TUSF and ensure the charge is fairly applied.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 2667 amends the Utilities Code to do the following with respect to the uniform charge imposed on certain telecommunications providers to fund the Texas universal service fund (TUSF):

- authorize the charge to be imposed either in the form of a fee or an assessment on revenues;
- subject each provider of Voice over Internet Protocol (VoIP) service that has access to the customer base to that charge; and
- prohibit the Public Utility Commission of Texas (PUC) from assessing the charge in a manner that grants an unreasonable preference based on technology or that is not technology-neutral or from assessing the charge for the service on a device that a consumer of the service uses to access the service.

C.S.H.B. 2667 defines "high cost rural area," as that term relates to the TUSF purpose of assisting in the provision of basic local telecommunications service at reasonable rates in such areas, as follows:

- an area served by a qualifying small incumbent local exchange company or cooperative; or
- an exchange receiving support under the Texas High Cost Universal Service Plan or the Small and Rural Incumbent Local Exchange Company Universal Service Plan and designated by PUC rule, taking into account the following:

- the number of providers serving the exchange;
- the population density in the exchange; and
- the number of customers served per route mile of plant in service used to provide basic telecommunications service.

The bill requires the PUC to adopt rules for designating high cost rural area exchanges not later than December 31, 2021.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2667 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not classify a VoIP provider as a telecommunications provider for purposes of all provisions of the Public Utility Regulatory Act regulating telecommunications utilities, including provisions providing for the funding of the TUSF through a uniform charge on telecommunications providers, as in the original. The substitute instead explicitly subjects VoIP providers to that uniform charge and to a related PUC reporting requirement.

The substitute includes a provision not in the original prohibiting the PUC from assessing the uniform charge for the service on a device that a consumer of the service uses to access the service.

The substitute revises the original's definition of "high cost rural area" by preserving the original's reference to another provision's definition of "small provider" and changing the category of exchange described.

The substitute includes a deadline for the PUC to adopt rules required by a provision of the bill.